





# UN Arms Inspector Cites New Evidence Of Iraqi Violation

New York Times Service  
 UNITED NATIONS, New York — Rolf Ekeus, the United Nations official in charge of dismantling Iraq's weapons of mass destruction, said Friday that his commission had received fresh intelligence on an arms-related project in Iraq and that a new inspection would begin soon, perhaps as early as next week.

Mr. Ekeus has been accused of capitulating to Iraq by choosing inspectors for the Ministry of Agriculture mission whose nationalities did not include countries involved in the allied war coalition, but he maintains that the inspectors were chosen for expertise first and nationality second.

A United Nations official who recently left Iraq had criticized the Ministry of Agriculture mission as "misconceived from the start." But Mr. Ekeus, in response, said that the official, Doug England, had not been part of the inspection team and was not aware of all the intelligence involved.

United Nations officials have a mandate from the cease-fire that ended the Gulf War to go anywhere necessary to find and destroy Iraqi arms of mass destruction.

U.S. Sees New Challenges  
 John M. Goshko and Ann Devroy of The Washington Post reported earlier from Washington.

U.S. officials believe that President Saddam Hussein has embarked on what one official called "a season of challenges."

They expect the Iraqi leader to keep trying to defy the restrictions imposed on Iraq after the Gulf War.

Many officials believe that the next test of wills could come if President Saddam escalates ground and air attacks against Shiite Muslims in southern Iraq and tightens efforts to block food and other supplies from reaching the UN-protected Kurds in the north.

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## CIA Starts Inquiry Into Disclosures By Congressman

WASHINGTON — The Central Intelligence Agency, sharpening a dispute with the chairman of the House Banking Committee, Henry B. Gonzalez, Democrat of Texas, has opened a formal review of potential damage from his disclosures on the House floor of classified information involving Iraq.

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## JAPAN: Mixed Signals on Ecology

(Continued from page 1)

and has allowed overdevelopment that threatens coral reefs.

What Japan is saying to the world and what Japan is doing here are quite different, and are an ashamed," said Michio Naito, who lives near the base of Mount Fuji and is leading a fight to stop a prefectural government from building the 500-vehicle parking garage at an elevation of 2,300 meters (7,600 feet), about 1,400 meters below the summit.

He said the existing one-level parking lot at that location had already caused a problem by funneling rainwater into a powerful stream that had carved out a gully, knocked over trees and deposited a head of garbage at the base of the mountain, which is regarded as a national symbol.

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"Japan's interest in the global environment is strongest in the area of energy and industry rather than in nature conservation," said Katsuo Seki, who retired last month

from his job as deputy director-general for global environmental affairs at the Ministry of International Trade and Industry.

"In the case of the U.S., we see you are so active in nature conservation, where you might not be interested in energy conservation and recycling."

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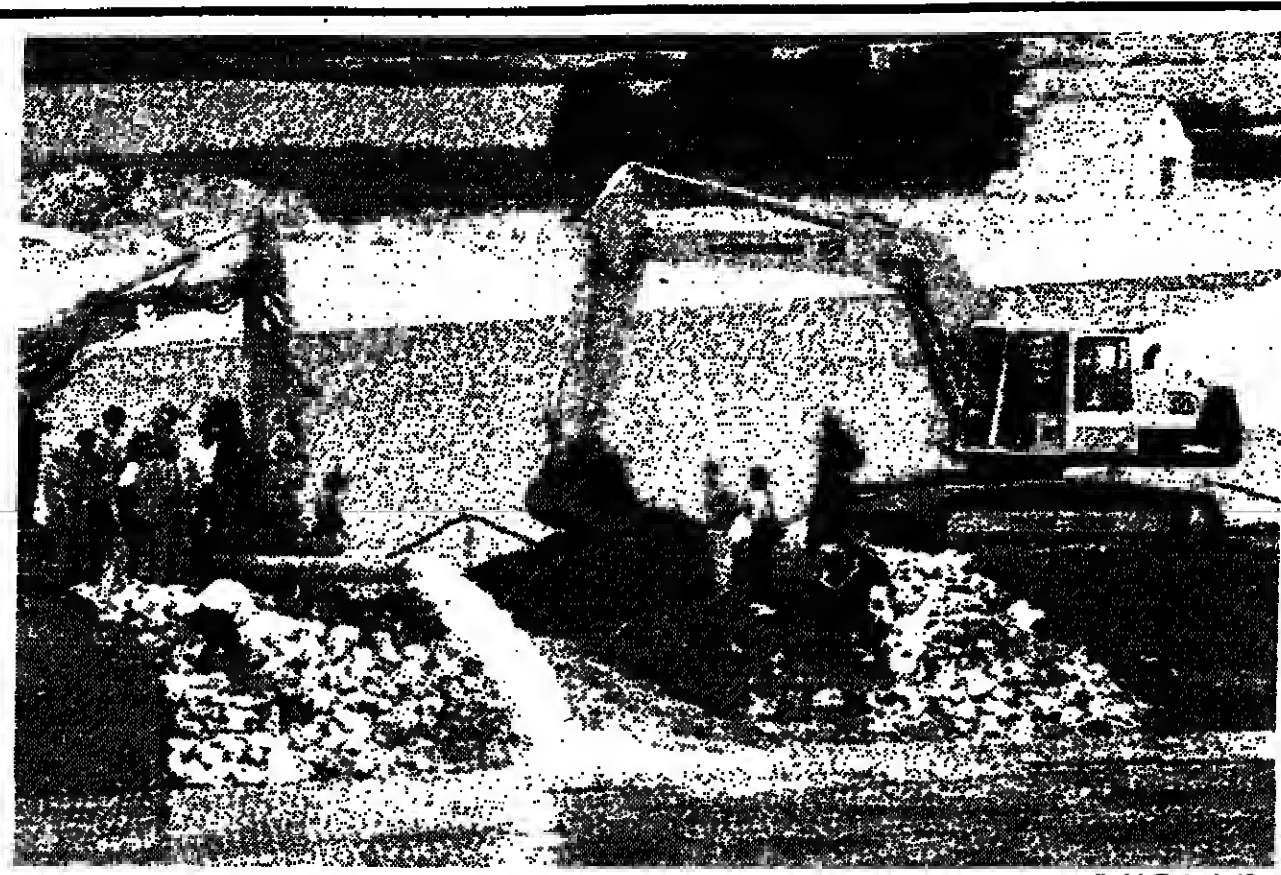
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SEA TO SEA — The last barrier to a shipping artery between the North and Black seas being breached Friday as dredgers cleared an embankment for flooding the Mafra-Danube canal near the Bavarian town of Bellingries. The flooding capped 71 years of work.

# German Doors Open Wider to Refugees

By Marc Fisher  
 Washington Post Service

BERLIN — While representatives of most of the European countries gathered in Geneva this week declared themselves willing to accept only small numbers of temporary refugees from war-torn Bosnia, the nation that has absorbed by far the most displaced Yugoslavs — Germany — is rushing to take in even more.

Even as opinion polls show that Germans, especially in the country's west, consider the "foreigner problem" the nation's most pressing issue, an extraordinary number of Germans, prodded by charities and press organizations, have volunteered to take refugees into their homes and urged the government to open its borders to Bosnians fleeing the war.

Germany has accepted 205,000 refugees from the Yugoslav war this year, and this week it announced it would take in an additional 5,000. According to the United Nations High Commissioner for Refugees, Austria has accepted 50,000 of the refugees and Sweden 44,000. No other West European country has taken in more than a token few of those fleeing the war.

The German reaction has been fed by an overwhelming media push. Nearly every television newscast begins with extensive and extremely graphic footage of men, women and above all children who have been wounded and mutilated in street fighting. The Yugoslav story has dominated print and broadcast news here all summer.

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## No Panic on Jetliner at JFK

All 291 Safe After Fire Aborts Takeoff of TWA L-1011

By Steven Lee Myers  
 New York Times Service

NEW YORK — The first sign Timothy Scheld had that something was wrong with Trans World Airlines Flight 843 was a dull orange glow on the cabin's video screen about 20 minutes before 6 P.M.

As the plane began to take off from John F. Kennedy International Airport in New York for a flight to San Francisco, he said, the nose rose only slightly and moments later the plane lurched sideways, jostling passengers.

The takeoff had been aborted.

"We turned to each other and shrugged," Mr. Scheld, a radio reporter, said of his fellow passengers in the second row of the coach section, "and made hand signals like pulling our hair out."

Mr. Scheld said smoke began to fill the cabin almost immediately, but he described the scene inside the Lockheed L-1011 Tristar as amazingly calm.

Officials have sought several times this week to emphasize that President George Bush is prepared to use that authority if necessary.

Despite such warnings, and despite the peaceful resolution of the latest confrontation over Iraqi efforts to bar UN inspectors from the Iraqi Agriculture Ministry, there is a feeling here that more trouble will follow.

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## ASSAULT: Serbian Threat

(Continued from page 1)

Slijedzic — who attended this week's European Community-sponsored meeting in London — called Mr. Karadzic a "terrorist" and stressed that the Muslims would not accede to any plan to partition Bosnia-Herzegovina.

Mr. Karadzic said the "Serbian Republic" would demand a strategic swath of Croatia's Adriatic coast that Serbian forces overrun and looted last autumn and have occupied ever since.

The fighting Friday temporarily shut down the airport, for the third time since UN peacekeepers took it over a month ago and tried to make it safe for flights bringing food and medicine, news agencies reported. It reopened before the end of the day.

The Sarajevo crisis center said 11 people had been killed in shelling and sniping during the 24 hours since noon Thursday.

A mortar shell that exploded outside the presidency killed two people. Another person died while waiting in line for water.

Several others were reported to have died in explosions in the shopping district, where crowds were out in the sunshine after a second successive night of heavy shelling.

It was part of a steady escalation of violence since Wednesday.

(Reuters, AP)

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# WORLD BRIEFS

## Yeltsin Expected to Make Japan Trip

MOSCOW (Reuters) — President Boris N. Yeltsin will go ahead with his planned trip to Japan despite growing rumors at home over how to solve a long territorial dispute with Tokyo over four islands, the Foreign Ministry said Friday.

"Our assumption is that the visit of the president will take place at the time scheduled, the Foreign Ministry spokesman said. "It will aim to turn a new page in relations between Russia and Japan."

Concern that Mr. Yeltsin might put off his trip grew after a stormy parliament session this week to discuss the future of the four Russian-held islands off northern Japan. Tokyo insists on their return before it will give Russia economic aid.

## China Joins Global Copyright Pact

BEIJING (Reuters) — China will join a global copyright convention as part of its program of economic change, the Xinhua news agency said. It said Qin Guolin officially notified the United Nations Educational, Scientific and Cultural Organization, to which he is a representative, of the decision on Friday.

American trade negotiators had pressed Beijing to carry out promises to protect patents and copyrights. China promised last year to join international copyright organizations.

"The decision was a result of China's policy of deepening reform and opening to the outside world," Xinhua quoted Mr. Qin as saying. "It also reflects China's good wish to perfect the copyright protection system and promote international exchanges in literature, arts and science."

## Honecker Left Willingly, Russia Says

MOSCOW (AP) — The former East German leader, Erich Honecker, left his refuge in a Russian willingly, despite statements from his lawyer that he was forced out, a Russian Foreign Ministry spokesman said Friday.

"He didn't take any actions that would question his free will to leave, the territory of the Russian Embassy to satisfy the requirements of the Chilean side," a Russian spokesman, Sergei Yastrzhembsky, said.

He also denied that Russian Security Ministry agents mistreated Mr. Honecker on Wednesday. The German, who had been held up in the Chilean Embassy since December 1991, boarded a special flight that took him to Berlin on Wednesday. He was immediately arrested on manslaughter charges in connection with shoot-to-kill orders issued to East German border guards.

## Italy Maps Secret War Against Mafia

ROME (Reuters) — The Italian government named its top anti-Mafia official as head of civilian intelligence on Friday as it prepared to throw its secret agents — relatively idle since the end of the Cold War — into the battle against organized crime.

Angelo Finocchiaro, Italy's anti-Mafia high commissioner since August 1991, was appointed head of civilian intelligence, according to an official statement. Mr. Finocchiaro, 62, a Sicilian, was civil governor in Palermo when the Italian state dealt its most powerful blow against the Mafia, a mass trial of some 350 gangsters in 1987.

Prime Minister Giuliano Amato called for agents to be drafted after two leading Sicilian public prosecutors, Giovanni Falcone and Paolo Borsellino, were murdered in Palermo. He said secret agents were no longer needed to fight the former Soviet KGB secret services.

## Full Penalty Sought in AIDS Trial

PARIS (Reuters) — A French public prosecutor demanded the maximum sentence on Friday for chief scientist of four former health officials on trial over the contamination of AIDS blood banks in the mid-1980s.

The prosecutor told a Paris court that Dr. Michel Garretta, former director of the national blood transfusion center, should be jailed for four years and fined 500,000 francs (\$100,000). Dr. Garretta and three other former health officials are accused of allowing blood they knew to be contaminated with AIDS to be given to hemophiliacs. Some 1,200 hemophiliacs got AIDS from the transfusions and 256 have died so far.

The prosecutor, Michele Bernard-Requin, said Dr. Garretta had been obsessed by success, pursued power, and had not hesitated to "manipulate, lie and compromise."

## TRAVEL UPDATE

Continental Gives Away \$99 Coupons  
 DALLAS (AP) — Continental Airlines offered coupon worth \$99 Friday for flights through mid-September. The coupons, printed in 75 newspapers, are valid for one-way fares on most routes coast-to-coast, but require a round-trip purchase.

Continental imposed other restrictions — at least two people must travel together and the airline exempted routes between Florida and cities in the Northeast and Midwest. Under a one-week stay certificate, travel must start by Sept. 13 and end by Sept. 20. Under a weekend stay certificate, travel must start by Sept. 11 and end by Sept. 15.

Delta Air Lines, meanwhile, said it would trim its 14-day advance purchase fares by 30 percent through August for travel into December. But Delta also said it would raise all fares 5 percent on Sept. 1.

A sea-level overpass in the Indonesian province of Irian Jaya has left at least 12 people dead and hundreds seriously ill, the Indonesian news agency Antara reported.

Portugal has approved plans for another bridge over the Tagus river, Lisbon. The 11.5-kilometer (7.1-mile) sea-level highway is to span the river, from Sacavem, on the north bank, south to Montijo. The privately funded bridge, due to open in 1997, will cost an estimated 140 billion escudos (\$1.1 billion) and will cut traffic on the existing bridge by half. (AP)

Danish SAS cabin attendants returned to work Friday, ending a 30-hour strike that had forced the airline to cancel 38 international and domestic flights. The attendants contended that SAS planned to dismiss 160 Danish stewards and stewardesses after the carrier's purchase of Sweden's domestic airline, Linjeflyg. (AP)

(AP)

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TRAVEL UPDATE

Continental Gives Away \$99 Coupons

The Weather

U.S. Shuttle On Complex Dual Mission

Russia Lists 39 Missing Americans And Asks Help to Learn Their Fate

From the Mustangs

IN MEMORIAM

CLARENCE PETER SCHWOERER 1931-1991

Chemical Engineer (UOP Process)

to all the people who participated to the family's grief and to the many friends in Italy and Yugoslavia who knew him well and appreciated his personality and his work. To all a belated but deeply felt thanks.

He will always live in our hearts. May his soul rest in peace.

P.O. Box 4216 CH-6022 Zurich - Switzerland

150 من الالهي



# CAMPAIGN '92 / PARTISAN PERCEPTIONS

THE UNIVERSITY OF JORDAN  
LIT. 82822  
DATE 1-07-1992

## ★ ELECTION NOTES ★

### 'Robocandidate' Becomes a Star

PHILADELPHIA — Doing her best to warm up a noontime rally, Lynn Yeakel, the Democratic Senate candidate in Pennsylvania, was taking too long in getting to the main attraction for some in the crowd of nearly 10,000 packed into John F. Kennedy Plaza. "We only have an hour," a woman cried out from the throng, a touch of exasperation in her voice. In other words, bring out Senator Al Gore of Tennessee, the Democratic vice presidential candidate and the one people had come to see.

On his first solo campaign swing as Governor Bill Clinton's running mate, plenty of voters agreed, judging from crowds in Georgia, North Carolina and Pennsylvania. And that is a marked contrast to Mr. Gore's foray into the 1988 presidential race, when his "Robocandidate" persona brought his campaign to an unsuccessful end.

"It's a good fit this time," said a former North Carolina governor, James B. Hunt Jr., of Mr. Gore and his Arkansas running mate. For Mr. Hunt, who is seeking to return to the governor's mansion in Raleigh this year, having two southerners at the top of the ballot makes an important difference. The best comparison he could find was in 1960, when another "new-generation" candidate, John F. Kennedy, narrowly carried North Carolina with Lyndon B. Johnson of Texas on the ticket. (WFP)

### 'We Want Baker,' Republican Senators Chant

WASHINGTON — Briefing Republican senators on his recent Middle Eastern trip, Secretary of State James A. Baker 3d found himself under new pressure to take charge of President George Bush's re-election campaign. "I told him, 'You're doing a fine job in the Middle East, and now we need you to come into the campaign as soon as possible,'" Senator Trent Lott of Mississippi said after the meeting. He said other Republican senators had also urged Mr. Baker to take over the Bush campaign, but neither they nor Mr. Baker would say whether he had told them he would.

Campaign sources said Mr. Baker was expected to step aside as secretary of state and direct the campaign after Prime Minister Yitzhak Rabin of Israel visits Washington Aug. 10 and 11. (Reuters)

### Bush's Wife Also Shows Her Temper

TALLAHASSEE, Florida — Barbara Bush snapped at a reporter who asked if her husband was conducting a "lost campaign."

She showed her irritation after she had met with Republican supporters and gone to the Florida Baptist Children's Home to read to children aged 8 to 10. After being presented with a T-shirt with the children's names on it, she faced reporters and became angry when asked what she thought about rumblings that her husband's re-election effort was already a lost cause.

"How could you ask me that?" she responded. "How could you ask me that after you saw what I did today?" (UPI)

### A Republican Villains List

WASHINGTON — High Bush administration officials are no longer predicting that greatly increased prosperity lies just around the corner, and they have shifted their strategy to try to explain why the economy has been so lackluster. Their villains: the cost of the Cold War, the end of the Cold War, President Saddam Hussein of Iraq, Congress, the Federal Reserve, consumers, banks, other presidential candidates and the media. (WFP)



President Bush getting a look at the Superconducting Supercollider project during a stop in Texas, en route to California.

### Quote-Ungquote

Richard N. Bood, chairman of the Republican National Committee: "Clinton's right now having his honeymoon. He's out there having his free ride, telling people how wonderful he is, and he's the heartthrob of the heartland. And the fact of the matter is, when the Republican convention comes we'll put it all in perspective." (IHT)

### Away From the Hustings

● Federal prosecutors in Los Angeles may seek grand jury indictments against at least three of the city's police officers on charges that they violated the civil rights of Rodney G. King, the black motorist whose beating at the hands of the police was videotaped.

● Several chiefs of the nation's military branches told the House Armed Services Committee that they strongly opposed placing women in combat positions and said that they regarded male bonding as a critical element of the "warrior spirit."

● Reaffirming one of the toughest rape laws in the United States, the New Jersey Supreme Court said that physical force need not be involved in order to convict a person of sexual assault.

● Congress is advancing a \$400 million pilot project that would require welfare recipients and the unemployed to work in government jobs rebuilding their communities.

● Federal officials ordered excavation halted permanently where a 34-story office tower is being constructed over a colonial-era cemetery for blacks in New York City. The future of the site will be decided by a national advisory panel that the officials said they would create with Mayor David N. Dinkins.

● Americans are less likely to move to the West, the Census Bureau said. The South and the West remain the most popular destinations for people moving inside the country, but the industrial Midwest has been drawing more and more migrants since 1981.

● A tank flipped over during training exercises at Camp Shelby in Hattiesburg, Mississippi, killing three Tennessee National Guardsmen and injuring three others.

● A bill that would ban export of anti-personnel land mines for a year has been introduced in the Senate. The measure is seen as a step toward ending the carriage U.S.-produced mines have wrought in Afghanistan, Cambodia and other Third World countries.

● Doctors at the John Wayne Cancer Institute in Los Angeles have developed a vaccine that prolongs the life of patients suffering from malignant melanoma, the deadliest form of skin cancer.

● The Federal Emergency Management Agency was characterized in a House report as "a political dumping ground" filled by the Bush administration with inexperienced appointees who have mismanaged the agency, misled Congress and funneled consulting contracts to friends. The agency manages the federal government's response to natural and man-made disasters.

LAT, WP, NYT, Reuters, AP

## California Clinton and Bush Elbow for Position on 'Values'

### Revival Is Bush Aim

### He Hits at Clinton On Military Cuts

By Michael Wines

New York Times Service

RIVERSIDE, California —

Once California was solid Bush country. Now it is the belly of the beast, and President George Bush entered it still searching for a formula to revive a suddenly and ominously flagging bid for re-election.

On a two-day visit to the state, Mr. Bush was involved in what may be a bellwether of his campaign's ability to pull out of a national slump that so far has defied eight months of strategizing and sometimes hapless politicking.

"Just you wait two weeks from now," he said in Riverside on Friday, referring to the start of the Republican convention in Houston. "I've been going through a little javelin-catching for about 10 months from the political opposition and I cannot wait for my convention to roll up my sleeves and tell the American people what's really going on."

He said of the Democrats: "They've been dishing it out for 10 months. Let's see if they can take it."

At an appearance in Anaheim, near Los Angeles, on Thursday, Mr. Bush offered evidence that his campaign may be awakening: a barbed, finger-jabbing lecture on military policy to his Democratic opponent, Governor Bill Clinton of Arkansas, that had a roomful of high-technology factory workers on their feet cheering.

Without naming Mr. Clinton, the president ridiculed his foreign and defense policies, joking that they took up but 141 words in Mr. Clinton's 34-minute acceptance speech at the Democratic convention last month.

"And if you blinked or had to do something else, or even beat up a bum and cheese sandwich in the microwave, you missed the entire part."

The president accused Mr. Clinton of advocating "reckless" cuts in military spending that would be wasted on pet Democratic projects, "beating swords into pork barrels."

"Cuts of that magnitude would jeopardize America's ability to defend our citizens, our interests and our ideals," he told 300 workers at Odette, a company that makes robot-like machines for the military and industry. He added, "Let me bring it very close to home: Cuts of that magnitude would cost workers in the defense industry as many as 1 million jobs."

Mr. Clinton favors gradually reducing the Pentagon's \$300 billion-a-year budget between \$60 billion and \$90 billion a year after five years.

Mr. Bush proposes a similar phased-in decrease, but totaling about \$45 billion.

The president's campaign spokeswoman, Torie Clarke, later beamed. "We're talking about some very fundamental differences in philosophy," she said.

Mr. Bush's new sharpness may also delight many California Republicans.

But there is so much more to do, they say. And the hour is very late.

"He's in deep trouble in California," said Steven A. Merksamer, a Sacramento lawyer who headed Mr. Bush's California strategy committee in 1988.

"If the election were held today he'd lose, and lose big. There's even a sense of despair, which I think the campaign has to act very quickly to turn around. These people want to see some fight."

Indeed, Mr. Bush's 1988 thrashing of Michael S. Dukakis in prosperous Orange County southeast of Los Angeles, by a 2-to-1 ratio, seems a dim memory these days.

One California poll shows Mr. Bush trailing Mr. Clinton by 34 percentage points statewide, and some political experts here say the situation in Orange County is little better.

The good news, Mr. Merksamer said, is that Mr. Bush can still win California in November.

The bad news is that it will be "extraordinarily difficult" and is growing more so "with each passing hour," he said.

Worst of all, Mr. Merksamer might have added, is that the campaign's woe in California are but a magnified version of the troubles that plague Mr. Bush everywhere: a bad economy, a listless re-election strategy and the widespread view that the president has little to offer in the next four years.

Political strategists here and in Washington say Mr. Bush is losing the main ingredients of the voter coalition that carried him to victory over Mr. Dukakis four years ago.

One is the Reagan Democrats, the blue-collar workers who deserted Mr. Dukakis, Walter F. Mondale and Jimmy Carter to vote Republican in the last three presidential elections.

This year many went first to Ross Perot and, after Mr. Perot left the presidential race two weeks ago, to Mr. Clinton.

The other is the bedrock of far-right conservatives who worshiped President Ronald Reagan and kept faith with Mr. Bush in 1988.

This year, dismayed by Mr. Bush's failure in 1990 to honor his campaign pledge against new taxes, and unhappy with his economic stewardship, they are wavering.

By Thomas B. Edsall

Washington Post Service

WASHINGTON — Underlying the debate over what political strategists call "values" questions is a not-very-subtle struggle between Bill Clinton and George Bush over who better represents middle-class — and heavily white — America.

An assortment of symbolic issues — the television character Murphy Brown, the rap singer Sister Souljah, welfare and gay rights, and the personal lives of the candidates themselves — has become the terrain for class and racial appeals designed to shape competing partisan perceptions of "us" and "them."

Mr. Clinton took his party's liabilities on values issues head-on when he accepted the Democratic presidential nomination two weeks ago "in the name of all the people who do the work, pay the taxes, raise the kids and play by the rules — in the name of the hard-working Americans who make up our forgotten middle class."

His clear purpose was to recast the image of the Democratic Party, which has been portrayed as committed more to the nonworking poor and what Vice President Dan Quayle has called "the cultural elite" than to the working and middle classes, as supporting welfare more than work and special preferences for blacks and other minorities more than reward of merit.

It is an image that Mr. Quayle, in particular, has sought to reinforce and that Mr. Bush has begun to evoke as the general election campaign begins.

In a closed meeting with former Reagan administration officials this week, for example, Mr. Bush cited family values among the defining differences between him and the Democratic ticket. Poll results that showed "George and Barbara" behind "Bill and Hillary" on the family-values issue, he said, just prove how untrustworthy polls are at this stage of the campaign.

In a speech in New Jersey the other day, the president was more explicit in describing the Democratic Party as a pro-

ponent of sexual license and parental irresponsibility at a time when the American family is "under siege."

"On one side, the advocates of the liberal agenda; on the other side are you and I and those values of family we share," he said. "They want to tighten the monopoly on our kids' education. They want public schools to hand out birth-

'On the one side, the advocates of the liberal agenda; on the other side are you and I and those values of family we share.'

President Bush

control pills and devices to teenaged kids. I believe kids need mothers and fathers, not 'big brother' bureaucracy."

The political use of these kinds of issues is hardly new. They have played a role in every election since 1964. What is different in 1992 is that the Democrats, who have traditionally been deeply divided themselves, are not automatically relinquishing the field.

At a personal level, having suffered allegations of marital infidelity and draft evasion, Mr. Clinton would appear vulnerable on issues of family and values. But at this early stage in the campaign, and with Mr. Bush weakened by a deteriorating economy, Mr. Clinton has gained the initial advantage in this battle to appear representative of commonly shared values.

On a broad scale, his success is reflected in his decisive lead in the polls, but it is more sharply revealed in detailed questioning of key swing voters.

Interview and focus groups conducted by The Washington Post and other organizations, for example, have found exceptionally high awareness of Mr. Clinton's drive to win approval of a more moderate, less liberal platform.

And, among white ethnic voters, many of whom voted Republican in recent years, there was a high level of favorable recognition of Mr. Clinton's efforts to keep the Reverend Jesse Jackson at arm's length, and his denunciation of a comment by Sister Souljah that blacks might consider killing whites instead of one another.

For Mr. Clinton, such symbolic gestures are critical gambles in a delicate attempt to retain traditionally strong black support while regaining the white working- and middle-class support essential to achieve a majority.

Charles Black, senior adviser to the Bush campaign, said that in an effort to revive the "typical coalition we have assembled in the last three campaigns," the campaign will raise such issues as Mr. Clinton's support of gay rights and Mr. Bush's backing of school choice, including financial support for parents sending children to parochial and private schools, his opposition to abortion, and his support for prayer in school and welfare reform.

Mr. Black described a strategy designed to chip away at voters who may now be leaning to the Democrats with specific appeals to such groups as ethnic Catholics, white conservative Democrats in the South, veterans and such conservative religious organizations as Southern Baptists and other predominantly white evangelical denominations, and other predominantly white evangelical denominations.

Although at the moment Mr. Clinton has the edge in this values contest, the Democratic Party has in recent years been far more vulnerable to division and conflict over values issues — and it could be again.

The potential divisiveness of such issues within the party was demonstrated at the meeting of Mr. Jackson's Rainbow Coalition, where Mr. Clinton denounced Sister Souljah.

"How can you reassure us that appeals to the quote, 'middle class' is not a new code word for avoiding the issue of racial justice?" Mr. Clinton was asked, to applause.

He responded that "if trying to restore the middle class in this country is a code word for racism, we are in deep trouble."

"We might as well fold our tent and go home," he said.



CLIFFORD'S ARRAIGNMENT — Clark M. Clifford, the Washington lawyer, entering U.S. District Court in Washington on Friday. He and his partner, Robert A. Altman, pleaded not guilty to criminal conspiracy charges linked to the BCCI scandal. Page 7.

## KINGDOM: In California, a Realm of Dreams That Came and Went

(Continued from page 1)

drug-treatment programs, schools and colleges.

Despite all this, there are signs that there will always be a California, in the sense conveyed by Remi Nadeau in his 1963 book "California: The New Society."

"California, perhaps more than any other state, is really a fulfillment of the American dream. Except for some areas of blight, here is the good life — considerable comfort, escape from drudgery and hardship, reasonable leisure time, and the environment to make the most of it. Is this not the American promise — freedom to enjoy life as the fruit of honest labor? Following the American tradition to its ultimate, California is really a sort of secular Kingdom Come."

And indeed, California was the Kingdom Come for Robert Wunsch when he migrated to Los Angeles from New York in 1958.

Then, he said, "we all felt the west was our oyster, and California was the leading edge. It was as though I came in a covered wagon. Los Angeles was just Hollywood, oranges and surfers. It was really like a frontier."

"Now," says Mr. Wunsch, a Hollywood talent agent whose home sits near where looters burned stores in the recent riots, "suddenly we see ourselves in despair. We thought we were the leading edge of social and racial tolerance, but now liberals have fled. This dream of California as a golden place has now turned sour. I feel an enormous hostility has taken over the city. Half my friends own guns."

More than 100 miles (160 kilometers) from the frenzy of Los Angeles, over the Tehachap Mountains in Kern County, no such complaints in Kern County, no such Mexican immigrants have found their California dream, spending long hot days picking grapes in the Central Valley at \$5.50 an hour.

"We have steady work, the children are getting good educations and we have good health care," Mr. Quintino said in Spanish, deftly packing green seedless grapes into a wooden crate.

Like many affluent Californians, Dr. A. B. Falcone and his wife, Patricia Lalim Falcone, of Fresno in the Central Valley, trace the state's troubles to "illegal immigration from Mexico." The problem is illegal aliens," Mrs. Falcone said.

They are really sapping the economy of Fresno.

The California downturn has brought deep disappointment to the Falcones, who have been leading a local crusade to bring a new campus of the University of California to Fresno; that expansion has now been indefinitely shelved.

For young Californians, the future seems bleaker than it did for

their parents. Fees at state colleges have risen rapidly, and class offerings are dwindling as a result of the state budget crunch.

"I'm really worried," said Janice Krusinsky, a senior at the University of California at Santa Barbara. "It's so much more difficult to find a job. There's a lot of confusion."

Nearly three years ago, the powerful Loma Prieta earthquake wrecked the home of Forrest and Sandra Hill, who lived just six miles from the epicenter in the Santa Cruz Mountains.

Mr. Hill, a building contractor, came from Manhattan Beach, California. 12 years ago his wife, a native of Toronto, had been 20 years and works as a flight attendant for American Airlines out of San Jose. They scarcely considered moving away and recently finished building a new home on the same site.

Why did they stay? "The Midwest has tornadoes, the Southeast hurricanes, the East freezes. Idaho has conservatives," Mr. Hill said.

A few miles below, the city of Santa Cruz is still rebuilding from the quake, which destroyed most of the historic downtown.

Sitting in front of the post office, a 27-year-old homeless woman, Kelly Doobson, bemoaned the state-budget crisis, which stands to affect her more than most Californians because of expected deep cuts in welfare.

"This is an expensive town to live in — there are a lot of snobs," she said, explaining that she usually sleeps in a tent she bought for \$2.

California, she went on, is "going down — our government doesn't know what it's doing," and added: "The state doesn't have a budget. Some people don't get welfare."

Her husband, Mr. Jones, who is from Indiana, remains upbeat about his adopted state. "Many who come to California bring images of warm weather and palm trees," he said. "They think life is easy here. Life is going to be difficult here in the '90s, but there are still more opportunities than in other places."

It seemed like a million miles away in Stinson Beach, a refuge for hippies, New-Age thinkers and escapees from reality north of San Francisco, where Cathy Cohn and a friend were doing each other's star charts at the Sand Dollar bar the other day.

"California was slow to get the recession, but then it was hit hard because it had been in a state of denial," said Ms. Cohn, a disc jockey and manager of musical acts.

"California is finally catching up with the rest of the country," she said. "It's going bankrupt not because it has no resources, but because of the way it's run. Republicans keep evoking family values that have nothing to do with the variety of families in 1992."

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## Democrat Defends War Stance

Los Angeles Times Service

LITTLE ROCK, Arkansas — It is not always easy to stay on the offensive, as Governor Bill Clinton of Arkansas, the Democratic presidential nominee, is finding.

With the government's release of data showing economic growth slowing, Mr. Clinton broke into what was to be a day off the campaign trail to shake his finger at the Bush administration.

Instead, at a news conference Thursday, he found himself trying to deflect a Bush campaign assault on his position on the Gulf War.

At issue was Mr. Clinton's stance in January 1991, when Congress was faced with a vote over whether to continue sanctions against Iraq or to give the president authority to send U.S. troops into combat.

The Bush campaign took issue with Mr. Clinton's statement that he supported the war, using local press reports to suggest some ambivalence on the issue.

In a wire service report on Jan. 15, 1991, two days after Congress voted to give the president authority to go to war, Mr. Clinton described his position as follows: "I agree with the arguments of the people in the minority on the resolution — that we should give sanctions more time and maybe even explore a full-scale embargo."

That same day, an Arkansas newspaper quoted Mr. Clinton as saying that he probably would have voted to give the president authority to go to war.

"I guess I would have voted with the majority if it was a close vote," he said. "But I agree with the arguments the minority made."

Mr. Clinton said Thursday that he did not agree with the minority, but merely understood the views of those who favored continued sanctions. He said that he would have voted to give the president authority to wage war to maintain a limited front against Iraq.

For another candidate the issue might not be as potentially inflammatory. But for Mr. Clinton, it amounts to another accusation that he shades the truth for political benefit.

When asked repeatedly over a period of years whether he had smoked marijuana, for example, he said he had never broken the laws of his state or nation. Then, last spring, he acknowledged that he had smoked marijuana while in Britain — but had not inhaled. He also acknowledged that there had been a "pattern of omission" in his previous answers.

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**Get Tough in Cambodia**

Having pressed Saddam Hussein to an honorable draw, the UN Security Council now urgently needs to turn its attention to a parallel challenge. For weeks the Khmer Rouge has been openly defying the provisions of the UN-sponsored Cambodian peace agreement, chiefly by refusing to disarm its troops and by preventing UN monitors from entering areas it controls. The Bush administration, which insisted on treating the Khmer Rouge as a legitimate participant in the peace process, now has a special responsibility to help bring these international outlaws to heel. Just like Saddam Hussein, Pol Pot, the Khmer Rouge leader, is betting that the United Nations lacks the will and the means to enforce its authority against determined resistance. The best response, in Cambodia at least, is in brief up the mandate of UN forces already there. The stakes are huge, both locally and globally. If the Khmer Rouge gets away with keeping its weapons while other forces disarm, then next year's scheduled elections will be an obscene joke. Cambodians will be exposed to a second round of Khmer Rouge genocide, this time with direct UN complicity. If, on the other hand, Khmer Rouge militants insist on remaining mobilized, the already shaky cease-fire is doomed. Every erosion of UN authority by Pol Pot, Saddam or the Serbian leader Slobodan Milosevic undermines the credibility of the world organization as a reliable force for peace. Failure of today's collective security experiments would open the door to a new

acceleration of the international arms race. Any real chance for a peace dividend bringing fiscal relief at home and funds for development abroad would slip away. Almost 15,000 UN troops are now in Cambodia, plus about 4,000 UN police officers. Michel Lordon, until recently deputy commander of UN forces there, believes Pol Pot's bluff could be called simply by marching lightly armed UN peacekeepers into Khmer Rouge zones. While there might be some initial UN casualties, he argues, Pol Pot would quickly see that he had miscalculated international resolve. But there is a less risky way to make the same point. The Security Council could upgrade the mandate of UN forces from passive peacekeeping to active peace enforcement. That would mean arming UN troops with more formidable weaponry and giving them authority to fight if necessary to enforce the cease-fire. Admittedly, that would take the UN onto new ground not specifically envisioned in last year's Cambodia peace agreement. But that agreement, solemnly signed by the Khmer Rouge, did not envision this kind of open defiance. Further, a move to step up the strengthened UN authority that Secretary-General Butros Butros Ghali proposed a few weeks ago in his important report to the Security Council, called "An Agenda for Peace." The secretary-general understands the wider stakes. The Security Council needs to act without delay. —THE NEW YORK TIMES.

**What Honecker Deserves**

Erich Honecker, now returned against his will to a reunited Germany, surely deserves to be tried for past crimes against his own people. As East Germany's leader from 1971 to 1989, he gave guards shoot-to-kill orders on the Berlin Wall, whose construction he had supervised as a younger man. The results can still be seen on the death strip that flanked the wall — sad memorials and simple crosses that mark where unlucky escapees fell. Mr. Honecker has hardly acquitted himself with valor since his ouster. He scurried to Moscow, when the Soviet Union collapsed, he begged for asylum in every remaining Communist country. He finally wound up in the Chilean Embassy in Moscow, from which he has now been extracted to face trial for manslaughter and embezzlement. His trial offers Germany and the world a chance to expose the cruelties, hypocrisy and self-delusion of Mr. Honecker's inner circle. Certainly he will enjoy more rights as a defendant than his own courts ever accorded dissidents. Even so, it is to be hoped

that the proceedings will not degenerate into the kind of show trial that routinely occurred in Soviet satellites. "Victors' justice," sneered an impenitent Hermann Goering at the Nuremberg tribunal established to punish war crimes. To counter this criticism, the World War II Allies proposed an international criminal court under the United Nations — complete under the World Court, which adjudicates disputes between states. Britain's chief prosecutor at Nuremberg, Hartley Shawcross, argued vigorously for just such a court. But the Cold War intruded, and the proposal died. If a world criminal court existed, Mr. Honecker would be a likely defendant. So would the Libyan agents accused of planting the Lockerbie bomb. And so might Saddam Hussein, in the event he ever fell into UN custody. It is exciting news that a German court will sit in judgment on Mr. Honecker, but how much better it would be if the tribunal spoke for the whole world. —THE NEW YORK TIMES.

**Worst Bill of the Year**

In the names of fiscal responsibility, urban aid and economic growth, the Senate Finance Committee has produced what could be the worst bill of the year. This is a tax bill whose real effect would be to reduce the ability of the government to manage the economy or to aid the cities; it would do this by adding billions of unacknowledged dollars to the U.S. deficit, largely in the form of benefits to the better-off. The sponsors claim the mislabeled cled bill is revenue-neutral. The neutrality is a fiction, the product of a set of blind-eye accounting conventions that artificially increase revenues while obscuring costs. More than half the tax increases that the bill would ostensibly impose over five years to pay for the cuts it would give are artificial. The counterfactual claim is likewise made that the bill would stimulate growth by increasing national savings, when in fact by reducing the deficit it would more likely reduce those savings. The urban provisions, the bill's original rationale, have been reduced to an inconsequential footnote. The legislation is said to contain about \$30 billion in matching tax increases and cuts over the next five years. In fact, by the committee's own reckoning, at least \$175 billion of these "increases" are merely speed-ups, money the government would have gotten a few months or years later anyway. Ultimate tax liability would be unchanged, and in some cases revenues would be increased between now and 1997 only by reducing them thereafter. An additional \$7.7 billion would be achieved by simply extending two provisions of current law: the phase-out of the personal exemption and limits on deductions for higher-income taxpayers that were voted in 1990 and which no one expect-

ed to expire. Again, current liability would be unchanged. Meanwhile, some of the largest cuts in the bill were constructed so that their full effects would not show up until after the five-year accounting period; the costs are masked. The most flagrant such masking involves a new kind of backloaded IRA, or individual retirement account. It and the other generous IRA provisions in the bill are projected to have a net cost of \$7.7 billion over the five-year period. But in the long run this provision is expected to cost as much as \$10 billion in a single year. The IRA provisions, which the administration also supports, would shift an enormous share of the country's investment income from taxable to tax-deferred or tax-exempt status. That, in the name of growth, is the election-year handout of some of the same politicians who only weeks ago were pleading adoption of a balanced-budget amendment to the Constitution in the face of the \$400 billion deficit that they have created. The bill is full of such supposed stimuli for savings and growth. Not even most of the people who will vote for it think that it will produce very much of either. For all the rhetoric that will surround it, its main effect will be to shift even more of the burden of government to a middle class that cannot afford it. The urban aid has meanwhile been turned into a minor pumpkin of some enterprise zones that hardly anyone believes in, either, plus a little bit of social spending. They ought to kill this bill, just as they killed the year's earlier tax bill. The main purpose of this bill is not so much to produce results as to give the appearance of producing them in an election year. —THE WASHINGTON POST.

**Other Comment**

**Justice for Honecker?** If Erich Honecker had looked out of the car window as he was being driven into Moabit Prison, he would have seen a banner that read: "The dead accuse you." This sentence reflects a hope that his trial will result in justice. But it is not the last judgment that will be held in Berlin, simply a criminal court, tied to trial regulations and subject to human and legal limits. Anyone who believes in a victory of justice, anyone who expects a triumph of moral values, is holding out too optimistic hopes. The charge sheet covers only a tiny portion of decades of crime. The court

can deal with the killings of people but not with the theft of human lives, no clause covers that. Mr. Honecker, his comrades and predecessors destroyed the lives of hundreds of thousands of people. —Städtische Zeitung (Munich). Erich Honecker was preparing to kill many more, demonstrating in the street against him, before Mikhail Gorbachev stopped him in October 1989. His crimes are both too heinous and too political for any verdict in a "justice." But if truth be obtained, the proceeding will be justified. —The Baltimore Sun.

**A Firm Hand With Iraq — and Clear Eyes**

By David A. Kay

LONDON — The compromise that allowed a select group of UN nuclear inspectors to enter the Iraqi Agriculture Ministry has been paraded in Washington and Baghdad as a victory for the respective governments. In the normal conduct of diplomacy, one would conclude that any agreement that all sides claim as a victory represents the ideal diplomatic solution. But if we have learned anything in dealing with Iraq, it is that normal diplomatic rules should not be applied to Saddam Hussein's regime unless one wants to accept the probability of nasty surprises. Is this too cynical a view? Ask the Kuwaitis who bankrolled Iraq's war with Iran and were repaid with near annihilation. Ask the Bush administration officials who, having tried to appease Iraq before the Gulf War with trade advantages, loans, arms and sweet words, now have to justify this in an election year before a partisan audience and a skeptical public. How often these policymakers must despair that we do not understand this "normal" practice in relations among states. But Iraq under Saddam Hussein is not a normal state. Normal diplomatic practice is applicable among states that have limited aims and are prepared to spend limited resources to achieve them. It is not applicable in dealing with a revolutionary totalitarian willing to bet all of its resources on a gamble that it will win all. It is surprising that American and UN officials seem to be determined to learn this hard lesson all over again. Several important principles were con-

ceded to reach the agreement Sunday on the terms of the nuclear inspections. An inspection of the Agriculture Ministry that had been illegally blocked was allowed to proceed without any commitment from Iraq that it would live up to its obligation to allow inspectors to go anywhere at any time in the future. The right to select the inspectors, previously an exclusively UN right, was compromised, with Iraq being allowed to veto certain nationalities. And this veto applied to inspectors from those nations that had supported UN action in defense of Kuwait. Thus, only countries that did not contribute personnel to support the Security Council's mandatory action to expel Iraq from Kuwait are to be judged fit to inspect Iraq to eliminate its weapons of mass destruction. Worst, UN officials used the Iraqi phraseology of "neutrality" in describing this standard of acceptability. The idea of becoming "neutral" and therefore acceptable by not supporting a Security Council action is the type of Orwellian double-talk that one had hoped the UN had abandoned after the end of the Cold War. What has Iraq agreed to? Nothing of significance. There was no commitment that this will not happen again; in fact, the messages from Baghdad seem to guarantee that it will. What has the UN gained? Only participation in a charade, fueling suspi-

cion that there is not a firm hand on the tiller in the secretary-general's office. The most difficult question is what Washington thinks it has gained. Certainly not a commitment from Iraq to comply fully from now on with the cease-fire arrangements that were to end the Gulf War and to dismantle Saddam's war machine. Certainly not time to get through a difficult election campaign without his again challenging the United Nations and the United States and thereby reminding everyone of a military triumph that now seems to be less than complete. Certainly not inspiration for the opposition groups inside and outside of Iraq that would motivate them to cooperate enough to overthrow Saddam. And certainly not a better issue than the mistreatment of UN inspectors that would provide a stronger justification for forceful action to bring home to Saddam the real costs of continuing his current policy. Both the United States and the United Nations should recall that diplomatic firmness and a clear recognition of what the Iraqi regime was up to led to the triumphs of Desert Storm. If these officials do not, more will have been lost this week than a measure trove of documents. And even more than an election may be lost before November. The writer, who led three inspections of nuclear sites in Iraq, heads the Uranium Institute, which promotes the peaceful use of nuclear energy. He contributed this comment to The New York Times.

**Bush Could Walk Away And Keep Our Respect**

By A. M. Rosenthal

NEW YORK — Can he win? Should he run? Suddenly these questions about George Bush are part of the conversation of American politicians and journalists. I think the answer to the first question is yes, and to the second, no. That is a paradox, but based on the political and personal realities that envelop Mr. Bush and the campaign. For months Americans asked these questions about two other contenders. It took Bill Clinton time but he answered them — by understanding that the change the country sought was a president who would be for a bouquet of goals and people, not always wearing the same droopy ideological flower in his buttonhole. Ross Perot answered by showing he was a master of the craven art of dynamite-sick fishing. He threw in the explosives, stunned millions of suckers, scooped them up, then dumped the basket and left them gasping on the beach while he went off for other sport, did our brave adventures. But yes, Mr. Bush can win. He clings to the memory of Harry Truman as if he himself were a good old Missouri Democrat. Saddam Hussein can elect Mr. Bush by throwing a few seeds at the Saudis or Israelis. —Or Mr. Bush can pull himself together, act and talk like a live president, or even a live human being, when he told hecklers to shut up — the high point of his campaign so far — or start accepting blame instead of pouring it out into dusty white glasses, stop just getting mad at Saddam and get even by backing the Iraqi resis-

tance movement, or let Barbara Bush say she is in favor of choice, since it is hard to imagine she is not, or come up with an economic plan that is either. Then he can adapt Hillary Clinton's fine line — this is who I am, if you like me, vote for me, if not, not. I think at some level most Americans wish he would do all or most of the above. One president destroyed himself because of his own personality; to see another doing the same brings no pleasure. The straight-out reasons for considering withdrawal state at him. Few Democrats believe he will suddenly become a doer, thinker, orator and fighter. As they become more committed to Mr. Clinton, it will become harder for Mr. Bush to persuade them. No Democrats, no Bush re-election. Meanwhile more Republicans see him as a loser, and say so. The longer their fear lasts, the more likely that it will fulfill itself. William Bennett, the conservative Republican who served Mr. Bush as drug czar, asked two devastating questions about the president, on the David Brinkley program. Does Mr. Bush really want the job? If so, what does he plan to do with it? The strongest reason for Mr. Bush not to run, and the hardest to face, is that he has not made the most of his chances; that is the least presidents get elected to do. Abroad, he fought a war, threw away victory, guaranteeing more war — already being fought by the Iraqi resistance. He misjudged what was going on in the Soviet Union, the Baltics,



the Middle East, China and Haiti. At home, his first term has sunk the country in depression — depression of the soul — not sure which will come first, the factory closing slip or the next urban riot. Perhaps Mr. Bush will find it in himself to recover the admiration of his countrymen. He can do that by saying he had his opportunity, did what he could, but that all told, it would be better to give a fresh Republican team the chance to lead. Any new Republican ticket would have one tough race, with so little time left, but it would be interesting to find out how many Republican delegates, guaranteed anonymity, think the Bush-Quayle ticket has a better chance than a ticket of Jack Kemp and, say, Elizabeth Dole or Jeanne Kirkpatrick. A hard thing for Mr. Bush to do — but others have faced their mirrors and decided to walk away without being fired and with respect from their peers, and themselves. —THE NEW YORK TIMES.

**The Senate's Tax-and-Spend Champion: Al Gore**

By James D. Davidson

WASHINGTON — Governor Bill Clinton has worked hard to shake the stereotype of the tax-and-spend Democratic presidential nominee. Unfortunately, his running mate, Senator Al Gore, is the kind of legislator who leads truth to the stereotype. Since 1979, Mr. Gore has scored an average of about 21 percent on the National Taxpayers Union congressional scorecard, meaning he voted to reduce or control federal spending on just one out of five votes. He earned our "big spender" designation on 11 of 13 annual ratings and is the only member ever designated the Senate's biggest spender two years in a row. Our annual rating is one of few that does not select a handful of votes to make friends look good and enemies bad. It includes every roll-call spending vote. What must a senator vote for to attain scores like

Mr. Gore's? Virtually everything. In 1989, Mr. Gore voted against a spending freeze plan proposed by Senator Fritz Hollings, a Democrat, that made provisions for cost-of-living adjustments and growth in beneficiaries in Social Security, Medicare and Medicaid programs. Despite warnings about the runaway growth of entitlement programs he voted to kill a modest bipartisan proposal in April to limit entitlement spending increases. Until recently, Mr. Gore typically voted against proposals to cut military spending. In 1989 he voted against cuts in financing for the Strategic Defense Initiative, while voting for a health and education bill that proposed \$11 billion more than the president requested.

But Mr. Gore's greatly touted support of military spending goes much farther. When the Cold War ended and provided substantial deficit-reduction opportunities, he voted in August 1990 to prevent the closing of unneeded military bases, which could have netted billions of dollars in savings. The Tennessee senator also shows spending subsidies on big business and big labor. He voted to preserve subsidies for wheatly sugar producers. He would give a \$10 billion bailout to nuclear utilities. Last year he even voted against eliminating honey price supports, one of the few spending cuts in the Clinton economic plan. But honey subsidies are not the only area of disagreement between Governor Clinton and Senator Gore. Mr. Gore

voted against the line-item veto six times. Mr. Clinton has used such a tool in Arkansas, saying it "is one of the most powerful weapons we could use in our fight against out-of-control deficit spending." Unfortunately, taming deficit spending is not Mr. Gore's fight. Although the senator has landed Mr. Clinton's record of 11 consecutive balanced budgets in Arkansas, he neglected to mention that the state's large spending subsidies on big business and big labor. He voted to preserve subsidies for wheatly sugar producers. He would give a \$10 billion bailout to nuclear utilities. Last year he even voted against eliminating honey price supports, one of the few spending cuts in the Clinton economic plan. But honey subsidies are not the only area of disagreement between Governor Clinton and Senator Gore. Mr. Gore

**To Survive Sendero, Peru Needs Help**

By Jeremy J. Stone

WASHINGTON — A determined, resilient and Machiavellian terrorist group, Sendero Luminoso, has advanced its revolution against democracy. There is no point where the international community faces a long-term emergency. This was dramatically confirmed by Sendero's unprecedented bombings in Lima in recent weeks. Sendero is not just another Latin American revolutionary movement that eventually will be defeated or with which one could eventually deal. It is a Maoist revolution based on Chinese political techniques that Sendero's leader learned during China's Cultural Revolution — techniques Sendero has improved on and which it modifies skillfully. Insurgency specialists have underestimated Sendero. Its Marxist indoctrination of young people, its extraordinary resilience and its capacity for cruel Maoist-style intimidation make it difficult to defeat. Nor will it deal. It refuses all dialogue. Recently, it has begun a rapidly spreading phase of infiltration of popular organizations in urban shantytowns to complement its activities in rural areas. Last week it even began bombing upper-class neighborhoods in Lima. Some can hardly believe that a few thousand terrorists, no matter how disciplined, and even backed by many sympathizers, could take over a country of 22 million people. But Sendero's intermediate goal is not to take over Peru but to destroy it by disorganizing it. In today's world, this is not that hard. What happens, for example, when a repeatedly sub-

otaged electrical network moves from rationing to outages? The very streets have a very sick count with its government continually shrinking in disposable revenues, its major entrepreneurs poised to flee, its impoverished population exhausted, its bureaucrats and army corrupted and its capital city, comprising one-third of the population, easily harassed. As part of its strategy, this movement intends to provoke Peru into bloody repression that will, in spokesman's say, "irrigate its revolution" and cost 1 million lives. Starting on razed ground, Sendero would then build a Maoist hermit kingdom, a sort of agrarian North Korea. Its reconstruction of Peru on the basis of a permanent Cultural Revolution can be expected to cost millions more lives, as Chairman Guevara, the self-proclaimed Fourth Sword of Marxism, tried to move the society away from the outside world that already feeds one Peruvian in four. The movement's vigilant contempt for the "revisionism" of all other Marxist states, including North Korea, and its isolation from any friendly states, would prevent the Sendero leaders for decades to come from permitting ideological relaxation. Peru could be a long time returning to civilization. But its revolutionary movement might prove too incompetent or too ideological to run a government. In this case, Peru could move toward

complete collapse at enormous further cost, as did a similar Maoist offshoot of China's Cultural Revolution, Pol Pot's Cambodia. These costs outweigh the human rights outrages of Peruvian society, as an atomic bomb outweighs a conventional bomb. And because Sendero deliberately seeks to provoke far worse military repression, it represents a major continuing threat to Peruvian democracy. Sendero successes also mean further losses in the drug war. Sendero gets the revenue, and its capitalist adversary in America has its moral fiber undermined by drugs. Accordingly, note should argue that if President Alberto Fujimori does not, or cannot, meet specific human rights or democratic standards, Peru should be "written off." Instead, a coalition of interests should seek to save Peru from Sendero. All who love freedom should recognize that Sendero's Marxist ambitions and sophisticated methods might make it a kind of political AIDS virus in more than a few unstable Third World states. Saving Peru from Sendero is not something Peru can do by itself. Neither can the United States, by itself, make a decisive difference. Instead, Peru has become an international problem requiring some kind of collective international help from the community of states. The writer, president of the Federation of American Scientists, recently returned from Peru. He contributed this comment to The Washington Post.

war situation. He said, "If we are to reform the map of Europe, can anyone doubt that one of the arrangements of territory that must take place is the restoration to France of that territory of which she was violently robbed forty years ago." 1942: Nazis Lose Appeal WASHINGTON — [From our New York edition:] The Supreme Court, with eight members participating, voted unanimously today [July 31] to reject the appeal of seven German saboteurs for a trial in civil courts, thus leaving the fate of the defendants to a military commission of seven men which has the power to impose death sentences on all. Soon after the high tribunal announced its decision, which upheld President Roosevelt's power to create a military commission, the commission resumed its trial of the Nazi agents. Defense counsel had not completed their final arguments when the session was adjourned until tomorrow.

**The Cavalry Won't Save Fort Bush**

By Jim Hoagland

WASHINGTON — The foreign policy cavalry was summoned into the U.S. presidential campaign this week by a besieged White House. Fair enough. But the flip side of that development could prove to be George Bush's undoing. Mr. Bush and his men also managed to thrust the campaign into foreign policy. The riderless mill protest, with some justice, that there is no neat dividing line between policy and politics anyway. The nation's chief politician is also the commander in chief. But Mr. Bush crudely campaigned in the commander in chief's role rather than letting the dignity and majesty of that job call attention to his achievements. As a result, he has narrowed his options on two urgent foreign crises, Iraq and Yugoslavia. On Iraq, the president has acted as if a U.S.-led foreign policy groundswell would be popular with the American public whenever Mr. Bush ordered it. One theory (O.K., my theory) was that Mr. Bush felt he would benefit politically by waiting until October. With only a few weeks to go to Election Day, the rallying-around factor would overcome negative fallout. But that calculation is in tatters in the wake of the Bush team's surprisingly inept attempt to shift the campaign onto foreign policy ground. Even if the president now acts (reluctantly) to curb Saddam, an increasingly skeptical American public will question Mr. Bush's motivation. It has become apparent that Mr. Bush is picking and choosing among Saddam's repeated violations of the United Nations resolutions that brought an end to the Gulf War. Once ignored violations that could have triggered U.S. military action over the past year now get big play from the administration, the plight of Shiite tribes that have been allowed to suffer grotesquely as Saddam's hands is suddenly a casus belli. Voters could see an October stultic as evidence that the campaign, not national security, determined the timing and scope of a U.S. military action. Administration war planners have gone into top gear. Foreign diplomats are being told that the United States will force a new inspection at an Iraqi government ministry in Baghdad within a few weeks and will strike Baghdad immediately if Saddam resists. Sooner is surely better. Mr. Bush's misadventures in commander-in-chief land began with his recent disastrous appearance before the families of American servicemen missing in Indochina. Shaken by the short-lived Ross Perot campaign, the group's intense sense of loss and resentment flared out to scorch Mr. Bush. He then dug the hole deeper by reaching for Operation Desert Storm as a shield against the heckling, declaring the operation's chief organizer to be above criticism. This petty politicized both Desert Storm and Mr. Bush's laudable role in it. Off balance, Mr. Bush's spokesman, Martin Fitzwater, tried to recover by taking a shot at Bill Clinton, calling an unobjectionable Clinton statement on Yugoslavia "rockets." The bullet ricocheted back on the reckless Mr. Fitzwater, who seems not to have read Mr. Clinton's statement. Result: The Clinton-Gore team paraded the strongest policy blow the Bush-Quayle campaign can deliver the first week of the campaign. Mr. Clinton's record of 11 consecutive balanced budgets in Arkansas, he neglected to mention that the state's large spending subsidies on big business and big labor. He voted to preserve subsidies for wheatly sugar producers. He would give a \$10 billion bailout to nuclear utilities. Last year he even voted against eliminating honey price supports, one of the few spending cuts in the Clinton economic plan. But honey subsidies are not the only area of disagreement between Governor Clinton and Senator Gore. Mr. Gore

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Tel.: (1) 46 37 93 00. Telex: Advertising, 61395; Circulation, 61283; Editorial, 61278; Production, 60698.  
Director of the Publication: Richard D. Simmons  
Chairman from 1958 to 1982: John Hay Whitney  
Editor for Asia: Michael Richardson, 5 Convent Road, Singapore 051. Tel: 472-7768. Telex: RS56928  
Mey. Dir. Asia: Raff D. Sempok, 50 Gloucester Rd., Hong Kong. Tel: 8610616. Telex: 61170  
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S.A. as capital of 1,200,000 F. RCS Number B 233021126. Commission Paritaire No. 61337  
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### AMERICAN TOPICS

#### Community Service Before the Diploma

This fall, Maryland will become the first state in the country to require teenagers to do volunteer community service before they can get their high school diplomas. The state board of education decreed that all secondary school pupils do 75 hours of volunteer work before graduation.

A wide variety of activities would fulfill the requirement, from working at nonprofit agencies like soup kitchens or shelters for the homeless, to in-school projects like tutoring.

Opponents of the measure said that although they endorsed the concept of youth service, it seemed incongruous to make volunteer work a requirement for graduation.

"Communities are breaking down," said Sturla Jewell-Kelly, executive director of the National Community Education Association in Arlington, Virginia. "People need to feel responsible for their community, to care about the city and the streets."

#### Short Takes

According to census figures, marketing surveys and opinion polls compiled by The New York Times, the typical American — based strictly on statistics — is a white woman, 32.7 years old, married and a mother. She is Protestant, although

she did not go to church last week. She is a high school graduate, contributes to an annual family income of \$35,225 in 1989 of which 14 percent, or \$4,932, goes for medical bills. Her family owns a mortgaged three-bedroom house in the suburbs that is heated with natural gas. The house has two televisions, two or more television sets and a video cassette recorder, but no firearms. She drives by herself to her clerical job with a manufacturing company, is a moderate Democrat, does not smoke, reads a newspaper every day and watches television 28 hours and 15 minutes a week. She drinks beer moderately and hates liver.

"Official" has become a favorite word for advertisers. The New York Times reports. Borden's calls its ice cream "the official sponsor of summer." Holiday Inn styles itself "the official hotel for family fun" and Coca-Cola Classic asserts itself to be "the official soft drink of summer." The word seems to have been inspired by the outpouring of official sponsorships for the Olympic Games. "It's designed to promote fun," said a Holiday Inn spokesman.

After earthquakes struck Southern California in late June, one man whose mountain retreat was badly damaged ran this house-for-sale ad in a local newspaper, according to the Los Angeles Times: "Home split-level throughout. Newly acquired view. Two fireplaces (one down). Fenced yard (mostly). New detached carport. Easy 4-wheeled drive access. Rock garden (designed by Mother Nature).

Arthur Higbee

## Terror Tactics of a Lost Generation Sink Black Townships

By Bill Keller  
New York Times Service

SEBOKENG, South Africa — Dr. Josiah Musundwa practices family medicine in a sector of this black township popularly known as Beirut. These days he finds the name alarmingly apt.

It is not just the teenage revolutionary poseurs who rule the neighborhoods, hijacking and burning cars, digging anti-tank trenches, turning away ambulances and terrorizing local residents.

It is not just the mountain of uncollected garbage that festers outside his waiting room, or the broken sewer pipes that spew rivers of human filth into the streets because the authorities refuse to send in repair crews.

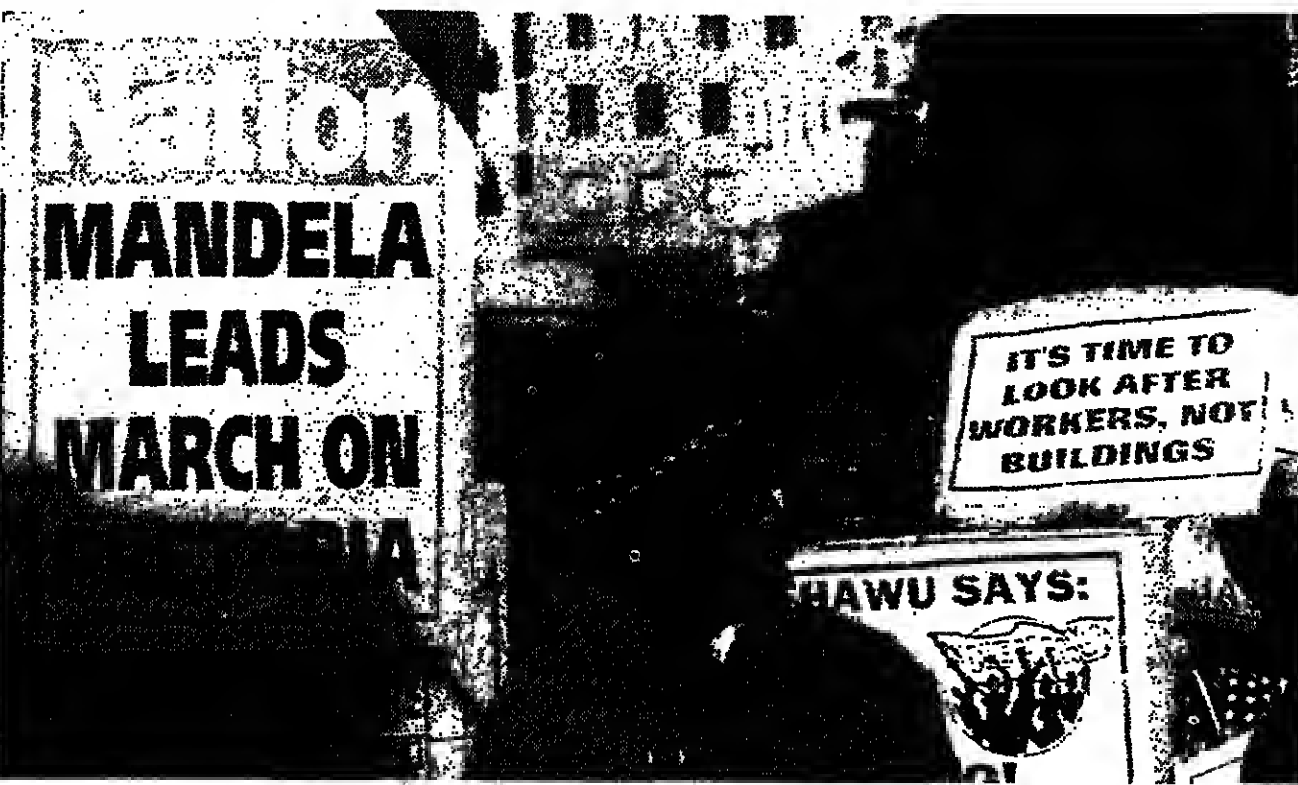
Worse than that, the doctor said, is the sense, new in the last few months, that this black township and others in the industrial heartland called the Vaal Triangle are deteriorating into a state near anarchy.

"It's almost a free-for-all now," the doctor said, between examinations of the few patients willing to brave the streets. "You don't know whether it's political or the thugs or whatever. It almost has created an element of insanity where you find all the basic structures in the community are collapsing."

"You even ask yourself, are we mad to be surviving in an area like this one?"

One recent morning, township residents stared mutely at a cavalcade of yellow armored transports, part of a contingent of 5,000 police men and soldiers ordered into Sebokeng and other black townships in what the law and order minister, Herman Krige, called a "peace offensive" aimed at quelling violence and restoring basic services.

The settlement seems to be of two minds about the security



Supporters of the African National Congress demonstrating in Johannesburg on Friday. The government announced that a dozen United Nations observers would be in South Africa on Monday to monitor a two-day general strike called by the ANC and its allies.

forces: the majority who regard them with suspicion, and assume their arrival heralds fresh conflict, and the rest who regard them with secret, guarded relief, but know the violence will resume as soon as they are called away to other crises.

In an alternative approach to the deterioration of order here, white authorities and black civic leaders agreed this week to send a task force of local residents and "low-profile" police officers with sanitation workers in an effort to get

sewers repaired before a threatened outbreak of cholera. Sanitation workers say crews have been stoned and vehicles burned in recent months.

The forum of black and white leaders also agreed to study creating mediation teams involving the Red Cross for deployment in Sebokeng and three other area townships.

But some participants questioned whether the black leaders had any better hope of stabilizing

the township disorder than the police do.

This time the cause of the chaos, which residents and officials say is the worst to hit the Vaal since 1984, is not the perennial eruption of black protest, or the more recent rivalry among black political factions. It is, many believe, the result of a kind of wild mimicry of a lost generation raised to adolescence without prospects or discipline.

"There is a serious concern, even if one reached an agreement with

the parents, whether the kids will listen to them," said S. Nigel Mandy, an urban planner retained by the Transvaal provincial administration, which subsidizes services to black townships. "We're talking today about a crisis of ungovernability."

Black political leaders here, who are considerably more militant than national leaders such as Nelson Mandela, the African National Congress president, insist that white authorities have exaggerated

the disorder to excuse their own chronic neglect of the black neighborhoods and to justify a heavier police presence.

The townships of the Vaal, a blue-collar region of steel mills and heavy manufacturing, have a long history of unrest. In 1984 Sebokeng, which with a population estimated at 350,000 is the largest Vaal township, and three other settlements began a boycott of rent and utility payments that continued for seven years.

Then last year fighting broke out here between backers of the ANC and followers of the more conservative Inkatha Freedom Party. The killing of 38 mourners at an ANC funeral vigil in Sebokeng was the most savage event in months of deadly attrition.

Residents say things took a wrenching turn for the worse last month, after a massacre in nearby Boipatong township. Local youths took to the streets in a frenzied defense that soon degenerated into opportunistic violence.

Leaders of the Sebokeng branch of the ANC and its ally, the Communist Party, insist that the street barricades and teenage "defense units" represent not anarchy but a precaution against assassins from rival political organizations.

Local residents, however, are not so sure. They refer to their self-appointed defenders as "contostis," (a wry combination of "comrade," the township badge of militancy, and "totsi," the township slang for thugs) who do not take their cues from older, moderate black leaders or anyone else.

In the long term, the government and black leaders agree that the only hope for making such townships livable is to merge them into neighboring white municipalities, which have the tax base to help support better services.

## Somali Cycle: Aid Fuels Fighting, More Starvation

By Jane Perlez  
New York Times Service

LONDON — U.S. experts on disaster relief who have just visited Mogadishu, Somalia, say that emergency airlifts proposed by the United Nations would not solve the problem of getting food to tens of thousands of starving people.

The director of the U.S. Office of Foreign Disaster Assistance, James R. Knoder, said after a one-day visit that fighting in the capital was the major barrier to helping the starving.

A greater effort must be made, he said, to win agreement between the warring clans in Mogadishu to allow food already in the country to be handed out.

Mr. Knoder's remarks were made at a news conference in Nairobi and were made available in London by news agencies.

In telephone interviews, members of Mr. Knoder's team said that they concluded the fighting was mostly over food and that hasty airlifts would only intensify the fighting, while the starving would still not get food.

Earlier this week, the United Nations Security Council approved an emergency airlift of food to Somalia, a mostly desert country of 4.5 million to 6 million people on the Horn of Africa. Tens of thousands have died from the combined effects of war and drought in the last few months.

The crisis in Somalia attracted sudden attention in Washington and Europe after Secretary-General Butros Butros Ghali of the United Nations charged last Friday that the West had a fixation on the "rich man's war" in the Balkans but overlooked starvation in Somalia.

A special task force on Somalia was

formed at the State Department this week under the leadership of Undersecretary of State Lawrence S. Eagleburger, officials said. The task force is to decide what measures to take after hearing from Mr. Knoder, who is returning to Washington on Friday.

Because of the neglect of Somalia so far, officials said, there is the temptation to mount airlifts as a way of giving an appearance of doing something even though they may not achieve much.

Mr. Knoder, the most senior U.S. official to visit Mogadishu since the outbreak of civil war there 18 months ago, said, "People are dying in the thousands daily because aid workers cannot move relief food."

"It is appalling that there is food at the Mogadishu port and at a store nearby but it cannot reach millions of starving people a few kilometers away because of the insecurity," he said.

Mr. Knoder said the United Nations needed to press the two competing warlords of Mogadishu, Mohammed Farrah Aidid and Ali Mahdi Mohammed, to ensure that there was no further shelling of commercial ships coming into the port.

"It appears Mohammed Farrah Aidid and Ali Mahdi Mohammed are unwilling to control security in Mogadishu and yet they can control the fighting inside Somalia," Mr. Knoder said.

The team members said in telephone interviews that ways had to be found to flood Somalia with food so the incentive for fighting would be reduced.

They said food should be trucked over the border from Kenya and left at staging posts in southern Somalia so people could pick it up there rather than having to struggle to Baidoa and other provincial centers, or moving across the border into Kenya as refugees.

## China Raises Tone Against Taiwan

Compiled by Our Staff From Dispatches

BEIJING — China accused Taiwan on Friday of pursuing "dollar diplomacy" and confirmed the suspension of diplomatic links with Niger in punishment for having recognized Taipei.

Ending a six-week saga during which Niger switched recognition three times, a Chinese Foreign Ministry spokesman said:

"The transitional government of Niger has obstinately established so-called diplomatic relations with Taiwan. The Chinese government has lodged a strong protest with the Niger government and declared suspension of its diplomatic relations."

In a clear sign of Chinese anger at losing its latest diplomatic competition with Taiwan, the Foreign Ministry also accused the Taipei government of acting "against the interests of the Chinese nation" by seeking new friends.

people, have pursued dollar diplomacy hither and thither around the world in an attempt to create two Chinas through dual recognition. Such an act has met with opposition from the Chinese people on the two sides of the Taiwan Straits as it runs counter to the fundamental interests of the Chinese nation, and it is doomed to failure," the statement read.

Taiwan has sought to use its economic strength to win new friends, particularly among Third World nations in need of aid.

Desperate for foreign financial assistance, Niger wavered between Beijing and Taipei for more than a month before finally declaring in favor of Taiwan last week.

For Niger, the stakes are a hard \$50 million in Taiwan aid versus vaguer Chinese offers of an interest-free loan. China said Friday that it was suspending diplomatic links and all bilateral agreements with Niger. (Reuters, AFP)



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ART

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Putting On the Ritz in Bonn

By David Galloway

BONN — The brightly enameled signs pointing to this sometimes-capital's "museum mile" are only the first and most obvious of the recurrent ironies.

Bonn's newest cultural attractions, a handsome pair of art museums joined by a courtyard and outdoor cafe, were initially conceived as a corrective to the capital's provincial image.

Currently showing, as the most ambitious of a series of opening exhibitions, is "Territorium Arts." With nearly 200 works by 97 artists, the opening extravaganza seeks to demarcate both turning-points and points of no return in the art of this century.

If politicians now look with some bemusement at the monumental Federal Art and Exhibition Hall and the Municipal Art Museum, with their staggering operating costs, art-watchers can rejoice at the addition of the two new institutions.

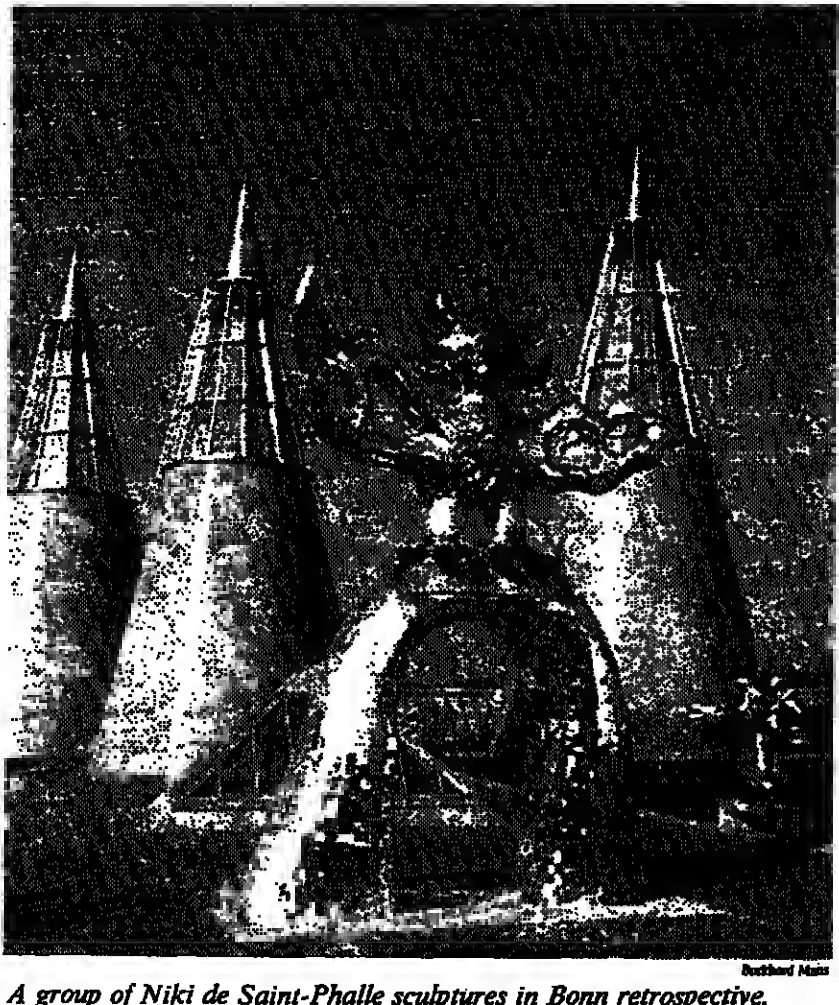
The Municipal Art Museum, designed by the Berliner Axel Schultes, is a model of urbane restraint. The neighboring work of the Viennese architect Gustav Peichl, though relatively free of post-modern gimmickry, nonetheless flaunts its credentials at almost every opportunity.

"Think big!" is scrawled everywhere on Peichl's design, but nowhere with such catastrophic results as in the principal exhibition hall, with its 9-meter (30-foot) ceilings and a total area of 14,000 square feet (1,300 square meters).

Without temporary walls that inevitably appear, such a hall is virtually unusable for paintings or smaller sculptures, and this is precisely the stuff of the artistic director, Pontus Hulten, who was the first director of the superb Moderna Museet in Stockholm.

VI RTUALLY every major ism, movement and counter-movement is on view here, from a Kandinsky abstraction in a Warhol "Billo" box, from Mone's shimmering water lilies to a stainless-steel bunny by Jeff Koons.

With a simple square, a circle and a cross, the Russian Suprematist demonstrated a reductionist, spiritualized doctrine that forestalled much of the art of our time.



A group of Niki de Saint-Phalle sculptures in Bonn retrospective.

at moments, the confrontations of artists and works are provocative, at others they seem merely puerile. Juxtaposing cabaret-like structures in awning material by Daniel Buren with Matisse's view of a Tahitian harbor reduces the curatorial vision to a window-dresser's eyes.

The patient viewer will sift and rearrange the show in his own mind; for this subjective exercise, there are more than sufficient provocations, discoveries and seldom-seen masterpieces.

In the process, one may wonder at the exaggerated presence of the Lithuanian abstractionist Mikalojus Konstitavicius. Citations and the absence of such seminal figures as Max Beckmann, Mark Rothko, Willem de Kooning and Francis Bacon.

Two other exhibitions — a Niki de Saint-Phalle retrospective and a high-tech work of "Global Change" — round out Bonn's summer extravaganza, and each is problematical in its own right.

computer and video installations address such phenomena as the polar ozone layer and the effects of urban sprawl. Despite the ambitious, often ingenious visualizations, the show seems curiously isolated. There is no attempt to explore the interface between artistic and scientific thought.

THE Saint-Phalle retrospective poses no such intellectual dilemmas. Here the sole question is whether the artist's riddling "Nanas," anorexic "Skinnies" and voodoo-like deities gain by such massing. In some respects, the smaller retrospective staged by Munich's Hypo-Kunsthalle in 1987 seemed more convincing.

With lawns, fountains and granite walkways, the sculpture garden is also directly accessible from the museum's forecourt, via a steep, narrow staircase that seems positively pharaonic. It is a jarring element in this pastoral enclave, it is the three towers of glass, steel and ceramic tiles that crown the whole.

For those weary of such architectural handstands and by curatorial contortions, the nearby Municipal Art Museum can offer solace. Its handsome, subdued galleries — each dedicated to the work of a single artist — invite meditation and reflection. It is precisely the setting that Malevich's three Suprematist canvases deserve.

David Galloway is an art critic and freelance curator based in Wuppertal, Germany.

Battle of the Auction Houses How Christie's and Sotheby's Compete for Sales

International Herald Tribune

LONDON — Fragile, and yet incredibly resistant to the diagnosis that emerges from the end-of-season figures just released by the two leading auction houses, the patient is the art market, whose troubles lie partly in the tendency of the two doctors ministering to its needs, Christie's and Sotheby's, to kick each other in the groin.

The overall turnover figures remain impressive, even if they are down on the previous season by

Souren Melikian

15.6 percent for Sotheby's and 8 percent for Christie's. Worldwide sales in all of Sotheby's locations added up to \$1.14 billion. Christie's figure is \$1.08 billion. Even such simple statements are sufficient to generate a mini-controversy.

Michael Ainslie, president and chief executive of Sotheby's Holdings, said in a telephone interview that Christie's figures include the total for privately negotiated sales, but shouldn't. "If we did that, we would be adding significantly more to our sales. In auction sales we are exactly \$100 million larger than they are."

Who cares about 1 percent more or less? They certainly do, and that is perhaps the main problem in the market. Sotheby's will resent the fact that seven years ago its worldwide market share was 60 percent against 40 percent for Christie's.

THE furious competition to get goods for sale and project an ever more glowing image to the public has done much to destabilize the market. And that will step up the conflict.

Battles, here, are waged behind closed doors, in the client's drawing room. He has to be enticed. There are various ways. One is to project an image of superior expertise. Sotheby's is still smarting from having lost its star expert on European contemporary art, Hugues Joffre, who resigned in June, and is convinced, as is everybody else, that he is to join Christie's.

Personality is another factor. Simon de Pury, Sotheby's ace negotiator, is credited, and rightly so, with having won the highly important Jaime Ortiz-Patio sales. Heinrich Graf Spreit and Christoph Graf Douglas, in Germany, negotiated the equally important Thurn und Taxis sales.

A third technique in the past has been to dangle higher estimates — the prospect of getting more money is always alluring to the vendor — which went along with nothing up to the general level of estimates from one half season to the next.

Two days earlier to Christie's smaller sale (\$400,000) the failure rate by value was strikingly close, 47 percent. Most revealing of the new market to anyone attending both sales was the number of casualties that fell without a single bid. When experienced buyers are confronted with estimates set too high, at a level which warns them that someone is trying to squeeze a maximum price out of them, they sit on their hands.

Yet, there is plenty of money available for art as shown by a string of success stories. On April 14, when the mood was bleak in London, Christie's had a sale of drawings by Henry Fuseli, and ev-



One of a pair of Louis XVI Boule marquetry commodes that sold for \$1.7 million.

Adjusting to that new situation and de-escalating from the totally artificial level set between 1988 and the summer of 1990 has been an ongoing process for the last two years. It is not an easy one. If estimates are lowered too abruptly, consignors are sure to walk over to the other auction house.

A striking feature of the past season, tactfully skipped in the press releases, has been the high proportion of failed goods in many sales. This includes the "traditional fields"

supposed to be doing well versus Impressionist and Modern art. Christie's congratulates itself on its Old Master sales, "up 23 percent." No doubt. But in its July 10 sale, the failure rate by value was 42 percent, and the number of unsold works 91 out of 299.

When it came to the no less "traditional" field of "European sculpture and Works of Art," i.e. objects d'art from the Middle Ages to the Baroque age, the record was worse. On July 9, at Sotheby's, 163 out of 356 objects were left stranded — 48 percent by value.

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Yet, there is plenty of money available for art as shown by a string of success stories. On April 14, when the mood was bleak in London, Christie's had a sale of drawings by Henry Fuseli, and ev-

ry single one sold. On May 21, in New York, Sotheby's sale of 18th-century French and English silver from the Jaime Ortiz-Patio collection was a hit. It totaled \$7.7 million, and only two lots were unsold.

A pair of octagonal wine coolers with the Paris mark for the year 1727 rose to a huge \$1.8 million. This is astonishing for pieces that are a bit of a riddle — engraved on each side with the royal arms of England, they almost look like Huguonot pieces made in London, but are attributed to the Paris goldsmith Nicolas Besnier.

On June 20, in Monte Carlo, Sotheby's outdid its New York performance by selling each one of the

44 pieces of French silver that had belonged to Arturo Lopez-Willshaw. It all culminated with Francis-Thomas Germain's coffee pot commissioned by the king of Portugal in 1756 ending up at \$3 million francs, the highest ever paid for a coffee pot.

French furniture seemed to be riding high, too. From the \$102 million sale of 48 pieces from the Kock collection in a single morning session on Dec. 6, to the \$15.7 million Jaime Ortiz-Patio sale on May 20, both in New York, prices were enormous, if not the highest ever. Dealers took some part in the action. On May 20, a pair of Louis XVI Boule marquetry commodes with Japanese lacquer panels by Etienne Levesseur went up to \$1.7 million, paid by the London dealer William Redford.

It would be wrong to think that the success of these single-owner sales was primarily linked to names. Quality and beauty were the main considerations. When these were not deemed sufficient, bidders held back. In the Kock morning session that went so well, seven of the 55 lots were left stranded. The day after, in the various owners sale, a magnificent Louis XVI commode with ebony veneer curiously mistaken for horn in Sotheby's entry, and admirable ornate mounts, multiplied its estimate seven-fold at \$1.4 million.

All this projects the image of a drastically redesigned market. The

point of my article was that, in the difficult terrain of Old Master drawings, labels frequently swing from one generation to the next and sometimes a much shorter one. Like any experienced dealer, Schab made discoveries such as the Benvenuto Cellini drawing which was the glory of Woodner's collection, acquired from the William H. Schab Gallery. On the other hand, several drawings from the traveling exhibition of the Woodner collection which started in the William H. Schab Gallery and went on to some of the United States' most prestigious museums were given different labels by Christie's experts.

Differences of opinion may remain unresolved. This neither reflects on the great collector that Woodner was, nor on Schab's credentials as a dealer and expert.

RELIGIOUS SERVICES

- AMSTERDAM: CROSSROADS INTERNATIONAL CHURCH... BUCHAREST: INTERNATIONAL BAPTIST CHURCH... DUBLIN: CHRIST THE KING... MADRID: COMMUNITY CHURCH... MUNICH: INTERNATIONAL COMMUNITY CHURCH... PARIS AND SUBURBS: THE AMERICAN CATHEDRAL... TOKYO: ST. PAUL INTERNATIONAL LUTHERAN CHURCH... EUROPEAN BAPTIST CONVENTION

COLECTOR'S GUIDE: Manufacture in Aubusson, France Galerie robert four CARPETS & TAPESTRIES. Includes sections for DUBLIN, PARIS 13th, ALGERIE DE FRANCE, OSLO, PARIS, MOSCOW, VIENNA, WARSAW, and ZURICH.

ART EXHIBITIONS: HUNDERTWASSER sale - buying GALLERY SAAL WG 6700 Ludwigshafen/Rh. Includes a section for YOU SAW THIS AD.

HERALD TRIBUNE INDEX 926. Includes various advertisements and notices on the right margin.



# BUSINESS

## Realignment Fears Hit the Pound

Compiled by Our Staff From Dispatches  
**LONDON**—The pound flashed a warning signal to the British government on Friday as it slid into the danger zone in the European Monetary System's exchange-rate mechanism.  
 The slide in the pound brought the U.K. currency below its floor in the exchange-rate mechanism, prompting intervention by the Bank of Portugal, whose escudo is currently at the top of the grid because of high domestic interest rates. Traders also said there was rumored support for the pound from the Bank of England.  
 Many businessmen and economists believe the British economy will struggle to recover while interest rates remain around 10 percent, far higher than annual inflation, which fell to a 3.9 percent rate in June.  
 "Something has to give, either the government's exchange-rate commitment or the economy," said Gerard Lyons, economist at DKB International. "At present it is the economy, with the latest indicators pointing to a further period of stagnation."  
 But calls for realignment are anathema to the government. "As for what people call a general realignment, that is simply not on the agenda," Norman Lamont, chancellor of the Exchequer, was quoted as saying in the Daily Express on Friday. "Other countries within the ERM are not prepared to sacrifice the hard-won credibility of their currencies by devaluing. And nor are we."  
 But business leaders this week urged a change of course. Sir Denis Henderson, chairman of Imperial Chemical Industries PLC, said Thursday that the market was giving the exchange-rate mechanism problems and a solution should be sought.  
 Brian Pears, chief executive of Midland Bank PLC, was more forceful. "We have to see a cut in interest rates, and it seems to me

## Franklin Agrees To Buy Templeton

Compiled by Our Staff From Dispatches  
**SAN MATEO, California**—Franklin Resources Inc. has agreed to buy Templeton, Galbraith & Hansberger Ltd., parent of John M. Templeton's mutual fund group, in a deal valued at \$913 million, the companies said Friday.  
 The proposed merger, which is expected to be completed in November, would create the largest publicly traded, independent mutual fund company in the United States, with combined assets of about \$87.8 billion, they said.  
 Mr. Templeton, John W. Galbraith and John M. Templeton Jr., who control about 70 percent of the voting stock, will receive about \$5.69 a share, while other public shareholders will be paid up to \$6 a share. The payouts will depend on the pound's exchange rate at distribution time. Templeton is listed on the London Stock Exchange.  
 The controlling shareholders also agreed to invest \$75 million of their proceeds from the deal in Franklin shares.  
 The proposed merger valued the shares at an 8.5 percent premium over the closing price on July 14, when Templeton first said it was involved in merger talks. On the London Stock Exchange on Friday, Templeton shares closed at 296 pence (35.68), unchanged from Thursday and near the level of the deal's estimated value.  
 "We are absolutely delighted with this agreement," said Charles Johnson, president and chief executive officer of Franklin Resources. "Templeton is exactly the firm we sought as a partner. The combination of our two companies should make us a strong competitor in the investment management industry for years to come."  
 Mr. Templeton, 79, launched his first mutual fund in 1954 and has been a pioneer in international investment fund management. He said the merger would help Templeton expand and improve research, investment management and client service.  
 Templeton will operate as an independent subsidiary of Franklin Resources. Its business will be transferred to and held by Templeton International Inc., a new Florida-based entity. Mr. Templeton will be chairman of Templeton mutual funds, chairman emeritus of Templeton International and a consultant and adviser to management.  
 Thomas Hausberger, president and chief executive of Templeton, will be chairman, president and chief executive officer of Templeton International, and has been named to the board of Franklin.  
 (AP, Bloomberg, Reuters)

## Clifford Trial Set for October

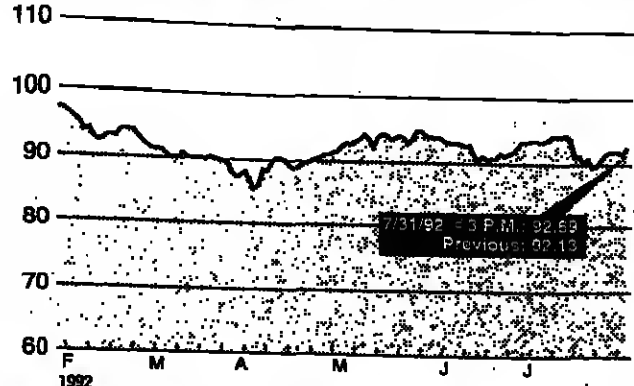
Compiled by Our Staff From Dispatches  
**WASHINGTON**—Clark M. Clifford and his law partner Robert Altman pleaded innocent Friday to U.S. criminal charges in the Bank of Credit & Commerce International scandal and will go on trial Oct. 26.  
 "I plead not guilty, your honor," said Mr. Clifford, who is 85 and ailing, at his and Mr. Altman's arraignment in U.S. District Court. They face charges of conspiring to defraud the Board of Governors of the Federal Reserve in an inquiry into the BCCI affair.  
 An attorney for the two men, Carl Rauh, presented evidence that Mr. Clifford, a Washington lawyer, former defense secretary and adviser to several presidents, had been disbarred and other sanctions. "His doctors indicate he may not live very long," Mr. Rauh said.  
 "Mr. Clifford very much wants the opportunity to be vindicated before he dies," he said.  
 U.S. District Judge June Green accepted the evidence and set the trial date, unusually quick for such a case. Lawyers said the case should take a month to try.

## Prosecutor Joins OMV Inquiry

**VIENNA**—Austria's state prosecutor has joined a Finance Ministry inquiry into possible insider trading in shares of the oil company OMV AG, ministry sources said Friday.  
 Alexander Gancz, head of the ministry's bureau supervision department, said Finance Minister Ferdinand Lacinia would receive an interim report on the inquiry.  
 Mr. Gancz also said there were four anonymous reports given to the authorities over suspect dealings in OMV shares in early July.  
 OMV shares fell sharply in July because of a meeting of the supervisory board—at which it was agreed that the chief executive, Siegfried Meysel, should resign—and the July 10 announcement of first-half losses of 500 million schillings (\$47 million).  
 OMV shares closed Friday at 675 schillings, up a schilling. The stock touched a high of 1,074 schillings earlier this year.  
 Sources at the ministry said the Vienna Boursee's trading supervision authorities also would conduct an independent inquiry.

## THE TRIB INDEX: 92.69

International Herald Tribune World Stock Index, composed of 230 internationally investible stocks from 20 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



The index tracks stocks in: Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

Region	Approx. weighting	93 P.M.	75.56 Prev.	Change
Asia/Pacific	25%	75.56	73.09	+0.44
Europe	40%	100.21	100.44	-0.23
N. America	35%	100.20	99.88	+0.32

Industrial Sector	93 P.M.	Prev. Close	% Change
Energy	98.45	98.02	+0.44
Utilities	87.81	86.79	+0.94
Finance	74.80	73.34	+1.72
Services	99.88	99.96	-0.02
Capital Goods	99.15	98.90	+0.25
Raw Materials	103.35	102.42	+0.91
Consumer Goods	98.72	98.45	+0.27
Miscellaneous	105.72	105.58	+0.13

## ECONOMIC SCENE

### Markets Walk a Tightrope Until French Treaty Vote

By Alastair Macdonald  
**PARIS**—Analysts agree that on Sept. 21, European financial markets will move either sharply up or sharply down. On the previous day, a Sunday, the French will have voted in a referendum on whether to ratify the Maastricht treaty on a closer European Union.  
 Until then, the "will-they-or-won't-they?" question will keep investors on a roller-coaster for seven weeks.  
 Public opinion polls suggest the French will vote in favor of the treaty by a narrow margin.  
 If so, stocks and bonds will rally with relief that the electorate has not eclipsed the French leadership's vision of a European Community with one currency.  
 But what if the French electorate follows the Danes and says "No"?  
 That thought has already cost the Paris bourse a hefty 7.5 percent of its value over the past two weeks, including 1.57 percent on Friday. "The market has not yet discounted a 'No' vote," said David Harrington, general analyst at James Capel SA in Paris. "It has discounted a lack of buyers in the run-up to the referendum. No serious investor is going to gamble on a 'Yes' vote."  
 He believes the French stock market's CAC-40 blue-chip index could fall as much as 10 percent below current levels if a negative vote forces the Bank of France to jack up interest rates in order to stem a run on the franc.  
 Even rumors of opinion polls on the referendum have kept markets on edge for weeks. In fact, there have been none since mid-July, so dealers will be watching Wednesday for what is probably the last sampling until after the traditional August holiday season.  
 Foreign investors also fear that a "No" vote might lead French leaders to amend their present policy of a strong franc. Keeping the franc pegged to the Deutsche mark has meant keeping up interest rates in line with Germany, despite the fact that French inflation is lower than Germany's, state spending is under better control, the trade account has shifted dramatically into the black and unemployment is at record levels.  
 But like many economists, Philippe Brossard of Credit Lyonnais, dismissed any possibility that a strong-franc policy would be ditched. "There will be no change in economic policy, no change in the strong franc, even if there's a new government," Mr. Brossard said. A general election is due by next spring.

## Italy Sets Target of \$38 Billion in Privatizations

Compiled by Our Staff From Dispatches  
**ROME**—Italy plans to raise 42 trillion lire (\$38.3 billion) by selling real estate and corporate assets between 1993 and 1995, the government said Friday.  
 The disposals, announced as part of a three-year economic program, would be in addition to 7.5 trillion lire to be sold this year. The program aims to cut the Italian deficit in 1993 by 83 trillion lire, according to Franco Reviglio, the budget minister. He said the deficit would be eliminated by 1996.  
 The privatization program aims to raise 15 trillion lire next year, 15 trillion in 1994 and 12 trillion in 1995.  
 Last month, the government said it was transforming four state holding companies into joint-stock companies that would be partially privatized. At the time, it said it would raise 4 trillion lire by the end of this year by selling stakes in Istinto per La Ricostruzione Industriale, the industrial holding company; Ente Nazionale Idrocarburi, the state energy company; Ente Nazionale per l'Energia Elettrica, a power concern, and Istituto Nazionale delle Assicurazioni, an insurer.  
 Speaking at a press conference following a cabinet meeting, Mr. Reviglio said, "Without corrective measures the public sector borrowing requirement would reach 231 trillion lire in 1993 and grow to 18 percent of gross domestic product in 1995."  
 He said the budget deficit stood at 9.9 percent of GDP—below 10 percent for the first time in 10 years—with total government debt equal to 106 percent of GDP.

ly's economic growth would average a slow 2 percent a year through 1995, below that of most of its major industrial competitors.  
 It affirmed the government's 1993 inflation target of 3.5 percent, which is seen falling to 2.5 percent in 1994 and 2 percent in 1995.  
 In a step seen as crucial in curbing inflation, the government, major unions and employers signed an accord on Friday officially ending a system of automatic wage indexation that had been the cornerstone of Italian labor relations since the 1950s.  
 Under the new system, workers will get a payment of 20,000 lire a month for 13 months. In return, the government pledged to consider allowing a claim against taxes for any unexpected increase in the cost of living.  
 (Reuters, AFP)

## New U.S. Data Paint Familiar Sluggish Picture

By Lawrence Malkin  
**NEW YORK**—A surge in new orders to factories in June was reported Friday by the government, but this and other, less ebullient statistics did little to dispel the prevailing view that the economic recovery is losing momentum.  
 After dropping in May by 0.9 percent, the Commerce Department said factory orders rose 2.3 percent last month.  
 It was the largest rise since July 1991, a month that marked a high point in the U.S. economy last year before a loss of confidence about jobs and declining consumer spending dragged the economy down again. That scenario of ebbing recovery seemed to be repeating itself in Thursday's report of a slowdown in the rate of economic growth in the second quarter.  
 "This is more support for the slow-go economic scenario," said Edward Yardeni of C.J. Lawrence.  
 Gail Foster of the Conference Board warned that the weakening of consumer demand implied "a risk that industrial activity will stall out altogether in the coming months," although so far the lack of any inventory buildup by business argues against it.  
 Financial markets, operating at half-speed on a summer Friday at the end of the month, disregarded the mixed bag of statistics and were essentially becalmed.  
 Economists focused on several weak spots in Friday's data. The numbers were inflated by a 19.6 percent increase in military orders, rebounding from a 27.7 percent drop in May. The backlog of unfilled orders dropped steadily through the spring and declined further by 0.6 percent in June, which signaled a slackening demand for goods. Finally, although actual

shipments of goods jumped 2.4 percent in June after being virtually flat for two months, "they are merely lagging the spring jump in industrial production, which lagged in June," said David C. Munro of High Frequency Economics.  
 The Commerce Department also reported that the personal income of Americans was unchanged in June, although they increased their spending by 0.5 percent by dipping into savings. That situation is unlikely to continue without an increase in income through new jobs or at least the confidence that employment would increase.  
 But the University of Michigan's consumer sentiment index fell in July to 76.6 percent from 80.4 percent.  
 Regional reports on manufacturing also sent mixed signals. The Chicago-area purchasing

## Airline Travel Rises 21% But Profits Still Pressured

Compiled by Our Staff From Dispatches  
**GENEVA**—International air passenger traffic rose 21 percent in the first half and cargo traffic was up 6 percent, the International Air Traffic Association said Friday, but it called the gains disappointing and unprofitable.  
 The IATA director general, Günter Eser, said the results were less than satisfactory because traffic in the first half of 1991 was depressed by the Gulf War. Passenger traffic was up only 5 percent from the first half of 1990, while cargo traffic was up 4 percent. "Airlines are still waiting for a real recovery," he said.  
 An IATA spokesman said airlines were enticing passengers back with cheaper fares and other promotions, but this was not helping profits. "It's been slow, profitless growth," he said. (AFP, Reuters)

## Group Named to Start Hong Kong's Airport

Compiled by Our Staff From Dispatches  
**HONG KONG**—An international consortium has been selected for a \$1.2 billion contract to carry out site preparation work for a controversial new multi-billion dollar airport, officials announced Friday.  
 They said the Airport Authority Contractors consortium consisted of Nishimatsu Construction Co. of Japan, Costain Civil Engineering Ltd. of Britain, Morrison Knudsen Corp. of the United States, China Harbor Engineering Co. of China, Ballast Nedam BV of the Netherlands and Jan De Nul NV of Belgium.  
 A statement by the Provisional Airport Authority of Hong Kong said the consortium had been told that the contract would not be awarded until funds have been approved by the territory's legislature. As a result, the consortium agreed to extend the validity period of its tender until the end of November.  
 Landing charges at Hong Kong's existing airport, Kai Tak, will go up 27 percent starting in September to help finance the new construction, the director of civil aviation, Peter Lok, said.  
 The consortium's bid was the lowest of the final tenders and well within the budget for the contract, which calls for preparation work on the Chek Lap Kok site on an outlying island.  
 The new airport, to cost \$5.97 billion, will be four times larger than the existing airport and roughly two-thirds the size of New York's John F. Kennedy airport. It is scheduled for completion in 1997, the year China takes over Hong Kong.  
 Since Britain and China signed a memorandum of understanding last September to build the airport, China has been quarreling with Hong Kong over the colonial gov-

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Germany (DM)	5,800	5,800	3,200
Great Britain	5,800	5,800	3,200
Italy	5,800	5,800	3,200
Japan	5,800	5,800	3,200
Netherlands	5,800	5,800	3,200
Portugal	5,800	5,800	3,200
Spain	5,800	5,800	3,200
Sweden	5,800	5,800	3,200
Switzerland	5,800	5,800	3,200
USA (US\$)	5,800	5,800	3,200

## CURRENCY & INTEREST RATES

Currency	Rate	Change
Australian \$	1.4305	+0.0005
Canadian \$	0.7105	+0.0005
Deutsche Mark	1.6363	+0.0005
French Franc	6.5595	+0.0005
Japanese Yen	163.64	+0.0005
Swiss Franc	1.4865	+0.0005
UK Pound	1.6456	+0.0005

Instrument	Rate	Change
3-month Eurocurrency	8.50%	-0.01%
6-month Eurocurrency	8.75%	-0.01%
12-month Eurocurrency	9.00%	-0.01%
3-month US Treasury	7.50%	-0.01%
6-month US Treasury	7.75%	-0.01%
12-month US Treasury	8.00%	-0.01%

**Schlumberger**

The undersigned announces that on 12 August 1992 at K&N-Associates N.V., Spuiboulevard 172, Amsterdam, the Netherlands, 75 of the Certificated Shares of Schlumberger Limited repr. 5 shares of common stock of US\$ 0.01 per value, will be payable with Dfls. 48.00 net per Certificate repr. 100 shares (div. per share US\$ 0.20, US\$ 0.20 per share). The dividend distribution is not subject to tax withholding at source.

PARIBAS ADMINISTRATIEKANTOOR B.V. Amsterdam, 29th July, 1992.

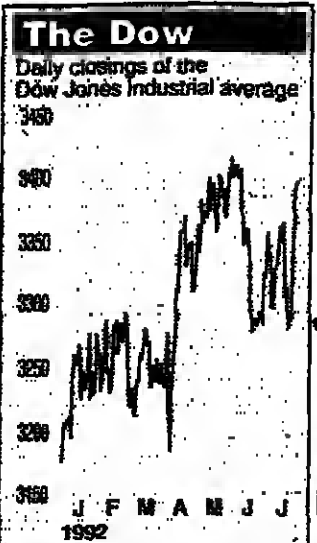


MARKET DIARY

DATA: Sluggish Growth Picture

(Continued from first finance page) managers index for July rose to 59.2 percent from 55.7. But order backlogs continued to decline and so did employment...

Advances topped declines by an 8-7 margin on the New York Stock Exchange. Big Board volume slipped to 174.4 million shares from 193.3 million on Thursday.



Dow Jones Averages table with columns for Index, Open, High, Low, Close, and Change. Includes Standard & Poor's Indexes and NYSE Indices.

EUROPEAN FUTURES table with columns for Index, Open, High, Low, Close, and Change. Includes SUGAR (C/OTC) and COCOA (F/OTC).

Stock Indexes table with columns for Index, High, Low, Close, and Change. Includes FTSE 100, Nikkei, and Hang Seng.

N.Y. Stocks

released Monday by the National Association of Purchasing Management, which gives the month's first snapshot of conditions...

Sluggish economic growth, combined with minimal inflation and low long-term interest rates, will boost stocks, Mr. Urush said.

Stocks Rise Slightly

U.S. stocks edged higher in quiet trading on Friday, as the week's rally lost momentum, news services reported from New York.

McDonnell Douglas fell 3 1/2 to 36 1/4 after the company reported a 53 percent decline in quarterly earnings.

POUND: Currency Slides in Grid

(Continued from first finance page) that the EC has to go back to the drawing board to see how they can resolve what is in a sense a German problem," he said.

The CBI published on Tuesday showed orders and output remained under pressure, and there was no sign of where economic recovery would come from.

Foreign Exchange

by the exchange-rate mechanism would have to be endured to reach the goals of the government, which he said were needed to keep Britain competitive.

"Economic reports were mildly positive, but the overall U.S. economic situation is still pretty bleak," said Carl Amendola, trader at Boyenchee Hypotheek-und Wechsel-Bank in New York.

NYSE Most Actives

Table listing NYSE Most Actives with columns for Vol., High, Low, Last, and Chg. Includes stocks like IBM, GE, and Ford.

AMEX Most Actives

Table listing AMEX Most Actives with columns for Vol., High, Low, Last, and Chg. Includes stocks like Intel, Microsoft, and Oracle.

NYSE Diary

Table listing NYSE Diary with columns for Adv. Declined, Unch., Total Issues, and New Issues.

AMEX Diary

Table listing AMEX Diary with columns for Adv. Declined, Unch., Total Issues, and New Issues.

NASDAQ Diary

Table listing NASDAQ Diary with columns for Adv. Declined, Unch., Total Issues, and New Issues.

NYSE Indices

Table listing NYSE Indices with columns for Index, High, Low, Close, and Chg. Includes Composite, Industrials, and Utilities.

NASDAQ Indexes

Table listing NASDAQ Indexes with columns for Index, High, Low, Close, and Chg. Includes Composite, Industrials, and Utilities.

AMEX Stock Index

Table listing AMEX Stock Index with columns for Index, High, Low, Close, and Chg. Includes High, Low, Close, and Change.

Dow Jones Bond Averages

Table listing Dow Jones Bond Averages with columns for Index, High, Low, Close, and Chg. Includes 20 Bonds, 10 Yr, and 30 Yr.

Market Sales

Table listing Market Sales with columns for NYSE 4pm, volume, and NYSE 4pm, volume.

Financial

Table listing Financial with columns for Index, High, Low, Close, and Chg. Includes 3-Month, 6-Month, and 12-Month.

N.Y.S.E. Odd-Lot Trading

Table listing N.Y.S.E. Odd-Lot Trading with columns for Buy, Sell, and Short.

S&P 100 Index Options

Table listing S&P 100 Index Options with columns for Index, High, Low, Close, and Chg.

EUROPEAN FUTURES

Table listing EUROPEAN FUTURES with columns for Index, High, Low, Close, and Change.

Metals

Table listing Metals with columns for Index, High, Low, Close, and Change.

Financial

Table listing Financial with columns for Index, High, Low, Close, and Change.

3-MONTH EURO DOLLARS (LIPFF)

Table listing 3-MONTH EURO DOLLARS (LIPFF) with columns for Index, High, Low, Close, and Change.

3-MONTH EURO MARKS (LIPFF)

Table listing 3-MONTH EURO MARKS (LIPFF) with columns for Index, High, Low, Close, and Change.

GERMAN GOVERNMENT BOND (LIPFF)

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U.S. FUTURES

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Grains

Table listing Grains with columns for Index, High, Low, Close, and Change.

Metals

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Livestock

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Financial

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Food

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Stock Indexes

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Dividends

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STOCK SPLIT

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REMOVED

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USUAL

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WORLD STOCK MARKETS

Agency France Press July 31

Amsterdam

Table listing Amsterdam stock market data with columns for Index, High, Low, Close, and Change.

Brussels

Table listing Brussels stock market data with columns for Index, High, Low, Close, and Change.

Frankfurt

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London

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Stockholm

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Sao Paulo

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Singapore

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Toronto

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Zurich

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Stockholm

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U.S. / AT THE CL

Paramount to Buy 4 Parks

NEW YORK (UPI) — Paramount Communications Inc. on Friday it had entered the theme park business by moving to 1 amusement parks and a 20 percent stake in a fifth for \$400 million.

McDonnell Earnings Disappoint

ST. LOUIS (UPI) — McDonnell Douglas Corp., citing protracted commercial and military jet programs, reported Friday second-quarter earnings of \$38 million, off 53 percent from earnings of \$77 million second quarter of 1991.

Carriers Follow Continental Offer

CHICAGO (Bloomberg) — United Airlines, USAir and Air America said they would match a new coupon offer by Continental Airlines in markets where they compete, except Florida.

Arthur Andersen Sued Over S&Ps

WASHINGTON (Bloomberg) — The Resolution Trust Corp. filed a \$400 million civil lawsuit Friday against Arthur Andersen & Co., nation's largest accounting firm, for alleged negligence in auditing failed Benjamin Franklin Savings Association.

Aetna Shares Fall on Portfolio News

NEW YORK (Reuters) — Shares in Aetna Life & Casualty Co. fell in heavy trading Friday after the company said its mortgage portfolio had deteriorated, analysts said. The price fell \$1.50 to \$43.

For the Record

Shell Oil Co. reported second-quarter earnings of \$183 million compared with a loss of \$68 million for the same period last year. Treaty talks expected to resume next month between the United States and Germany to alter a bilateral airline agreement have been delayed.

To Our Readers

Paris sugar prices are not available for this edition due to transmission problems at the source.

Lloyd's Profit But Revenue S...

Mirror Reveals Irish Group Stake

Friday's Prices

NASDAQ

Friday's Prices

NASDAQ

Friday's Prices

NASDAQ

Friday's Prices

NASDAQ











# Foreigners Join Bears In Tokyo

Compiled by Our Staff From Dispatches  
TOKYO — Foreign investors, reacting to the deepening slide on the Tokyo Stock Exchange, became net sellers of Japanese stocks in June for the first time since last December, the Ministry of Finance reported Friday.

Foreigners sold \$9.326 billion in stocks, compared with purchases of \$7.366 for net sales of \$1.960 billion. In May, they had been net buyers of \$804 million of stocks.

Although foreigners turned net sellers, and the Tokyo market continued to tumble to six-year lows in July, brokers with foreign securities companies here said they are getting inquiries from U.S. pension fund managers seeking to invest in limited baskets of up to 10 blue-chip Japanese issues.

"The argument for foreign investors looking at the Tokyo market is fairly straightforward," one foreign strategist said. "After its big declines, there must be room for strong upside gains in Tokyo, especially on a two-year view."

Stock prices extended their rally to a second day on Friday on short-covering and index-linked arbitrage, but low volume indicated the rebound may not last, dealers said.

The Nikkei index rose 354.68 yen, or 2.3 percent, to 15,910.28, after surging 459.63 on Thursday.

"For the short term, we may have hit a bottom, but we will continue to see some volatility around 16,000," said Tim Hayashida, an analyst at Merrill Lynch.

Sales of stocks by foreign investors have been increasing since last spring, said Motoharu Fujikura of the Finance Ministry's securities bureau. Selling related to arbitrage trading was a factor, he said.

In the April-June quarter, overseas investors were net buyers of \$206 million of stocks, down sharply from purchases of \$3.41 billion in the same quarter of 1991.

Foreign investors also were net sellers of Japanese bonds, by \$839 million in June, after buying a net \$442 million of bonds in May.

Japanese were net buyers of \$224 million of foreign stocks in June, after selling \$479 million in May. Net purchases of foreign bonds rose to \$3.06 billion from \$4.13 billion. (Bloomberg, AFP, UPI)

**■ NIT Seen Expensive**  
Foreign investors will be able to own stock in Nippon Telegraph & Telephone Corp. beginning Saturday, but analysts said few are likely to buy because the shares are still expensive by most standards, Reuters reported from Tokyo.

"The earnings outlook is not good," said Darrel Whitten, director of research at Prudential Securities. "The share price is 69 times earnings and twice the book value of net assets."

NIT fell 7,000 yen on Friday, to 588,000. It has been one of the market's worst-performing issues, dropping steadily since hitting an April 1987 peak of 3.18 million yen.

# BHP Strikes Deal With Elkem

Compiled by Our Staff From Dispatches  
MELBOURNE — Broken Hill Pty. said Friday it has signed a letter of intent to cooperate with Elkem A/S of Norway on producing manganese.

Under the deal, BHP will acquire 49 percent of Elkem's two manganese alloy plants in Norway and Elkem will acquire a 49 percent stake in BHP's subsidiary, Groote Eylandt Mining Co.

The subsidiary will supply Elkem's two Norwegian and one U.S. plant with manganese ore.

The transaction should be carried out without any cash compensation between the parties, Elkem said. A final agreement was expected to be concluded this autumn.

Elkem said the deal met its "strategic goal of securing long-term deliveries of raw materials and to even out the fluctuations in the group's income," while BHP "secured a long-term market for manganese from the mine on Groote Eylandt."

Elkem is one of the world's leading producers of ferroalloys, which are used in the manufacture of steel. BHP is the world's third-largest producer of manganese ore from its mine on Groote Eylandt, off northern Australia.

Separately, BHP said the Russian government had invited its minerals subsidiary to tender for one of the world's largest undeveloped copper deposits, located in the Chita area of eastern Siberia. BHP said it was studying possible involvement.

(Reuters, AFP, Bloomberg)

# Astra Chief Quits Over Summa Debts

REUTERS  
JAKARTA — The founder and chairman of PT Astra International, Indonesia's second-largest conglomerate, is stepping down to focus on the debt problems of his family's property and financial services concern, Summa Group, an executive at Astra said Friday.

William Soeryadajaya will sell part of his 75.87 percent share in Astra to bail out Summa. An Astra official said Soeryadajaya was ready to give up at least 30 percent of his stake, and that the sale would not affect the company's business.

There had been concern in the stock market that financial troubles at Summa would spill over into Astra.

The announcement, however, had no immediate impact on Astra's share price, which was unchanged at 11,900 rupiah (\$5.80).

Sumitro Djohadikusumo, a former government minister and close aide to President Suharto, has been named to replace Mr. Soeryadajaya, who had been chairman at Astra for 35 years.

"He will handle Astra's management as William goes to Summa," the Astra executive said. "This is to make sure that the two companies have nothing to do with each other."

Mr. Sumitro, an economics minister under presidents Sukarno and Suharto, said Thursday night that

he had insisted on complete separation of the management of Astra and Summa. He said he would decide who buys Mr. Soeryadajaya's shares and ruled out the chances of a hostile takeover.

There has been speculation recently that Mr. Soeryadajaya would seek to sell about \$350 million of Astra shares to rescue Summa. At the current stock price, that would require the sale of some 60 million shares, or roughly a quarter of Astra's stock.

Astra's share price has been depressed since shortly after it floated a 12 percent stake on the Jakarta exchange at 14,850 rupiah in 1990; it traded as high as 33,000 immediately after the flotation.

# Westpac Moves to Bolster Capital

Compiled by Our Staff From Dispatches  
SYDNEY — Westpac Banking Corp., one of Australia's four major commercial banks, said Friday that its capital had fallen sharply because of bad-debt problems, but it predicted provisions for bad debts would be "considerably lower" next year.

The bank disclosed details of its debt problems in a prospectus announcing a long-expected rights issue of 1.215 billion Australian dollars (\$907 million), intended to shore up its capital base.

Westpac said bad-debt provisions should be less than 300 million dollars in the second half of its financial year, which ends Sept. 30.

The bank reported an after-tax loss of 1.67 billion in the first half after writing off 2.65 billion in bad debts, mostly on its worldwide property exposure.

The bank had set aside provisions in the two previous years of 1.05 billion and 1.19 billion dollars.

The prospectus also said that the bank's net capital ratio fell to 8.4 percent on March 31, from 10.4 percent six months earlier. The country's central bank requires local banks to hold capital of at least 8 percent of risk-weighted assets.

The prospectus for the 3-for-10 rights issue did not make a profit forecast but said that the bank expected to be able to keep dividends

at current levels "subject to a reasonable recovery in the Australian and world economies."

The bank has so far paid an interim dividend of 12 cents this year and made a total payout of 27.5 cents in the previous year.

Westpac shares have plummeted nearly 20 percent since May, when it reported the record half-year loss. The share closed Friday at 3.24 dollars, up five cents.

The rights issue was priced at 3 dollars a share. "We believe we are now adequately and well provisioned," said managing director Frank Conroy. "We have a recovery strategy and it is on track and it is on time." (Reuters, Bloomberg)

# Earnings Gain At San Miguel Trails Sales

REUTERS  
MANILA — San Miguel Corp., the food and beer concern that is the biggest company in the Philippines, on Friday reported a 2.6 percent rise in first-half earnings on a 15.2 percent rise in sales.

Vice President Ramon Pasicolan said he expected sales to rise 15 to 20 percent for the year, boosted by rising consumer income and demand.

The company posted net income of 1.56 billion pesos (\$62.8 million) in the first half, up from 1.52 billion pesos a year earlier. Sales rose to 28.8 billion from 25 billion.

Sales of beer, which suffered from the effects of a rise in excise tax, fell about 6 percent in the first half, while sales volumes of soft drinks and liquor rose.

# UtiliCorp to Acquire 49% of New Zealand Electric Firm

Compiled by Our Staff From Dispatches  
WELLINGTON — Waikato Energy Authority on Friday announced a joint venture with UtiliCorp United Inc. of the United States in the first partial privatization of an electric utility in New Zealand.

Under the terms of the agreement, UtiliCorp will invest 74.6 million New Zealand dollars (\$40.7 million) in the authority's electrical company in return for a 49 percent stake. Waikato,

north of Wellington, includes the country's fourth-largest urban area, Hamilton.

The chairman of the authority, Ian Davidson, said UtiliCorp's investment would strengthen the utility's position in an increasingly competitive marketplace.

UtiliCorp's president and chairman, Richard C. Green Jr., said the company might also expand into New Zealand's gas industry.

Missouri, also would consider expanding into other, newly deregulated utilities in the Pacific Rim, although it had no current plans to do so.

"If we're successful here in New Zealand, then certainly it would enable us to take another step to other countries," Mr. Green said.

The electricity sector, owned by the central and local governments, is one of the last business sectors in New Zealand to undergo deregulation and privatization, a process begun in 1984. (Reuters, AFP)

# Seoul Sees a Turn in Trade

Compiled by Our Staff From Dispatches  
SEOUL — South Korea's current-account deficit widened in June, to \$378 million from \$124 million in May, but the merchandise trade deficit dropped to a low for the year, the Bank of Korea reported Friday.

Meanwhile, the Ministry of Trade said the merchandise trade deficit narrowed to \$4.95 billion in the first half from \$6.29 billion a year ago, with exports growing faster than imports for the first time in four years.

For June, the merchandise deficit was \$35 million, compared with a \$75 million deficit in May and a surplus of \$64 million in June 1991. The deficit in nonmerchandise trade widened to \$390 million in June from \$78 million in May and \$142 million in June 1991.

The June current-account deficit was wider than the gap of \$214 million in June 1991. In the first half, the deficit narrowed to \$4.1 billion from \$3.5 billion a year earlier.

Exports rose 8.4 percent in the first half to \$36.71 billion, while imports increased 3.7 percent to \$41.66 billion. Semiconductors, fabrics, ships, petrochemicals, vehicles and general machinery fared well, but shipments of home electronics, shoes, clothes and industrial electronics fell. (Bloomberg, Reuters)

# Investor's Asia

Exchange	Index	Friday Close	Prev. Close	% Change
Hong Kong Hang Seng	Heng Seng	5,881.13	5,829.83	+0.88
Singapore Straits Times	Straits Times	1,451.84	1,449.02	+0.19
Tokyo Nikkei 225	Nikkei 225	15,910.28	15,555.60	+2.28
Sydney All Ordinaries	All Ordinaries	1,617.60	1,621.00	-0.21
Kuala Lumpur Composite	Composite	601.53	598.56	+0.50
Bangkok SET	SET	744.42	739.66	+0.64
Seoul Composite Stock	Composite Stock	509.95	508.23	+0.34
Taipei Weighted Price	Weighted Price	4,108.52	4,029.53	+1.96
Manila Composite	Composite	1,499.50	1,495.72	+0.25
Jakarta Stock Index	Stock Index	N.A.	317.95	-
New Zealand NZSE-40	NZSE-40	1,547.57	1,514.17	+2.21
Bombay National Index	National Index	1,236.28	1,236.76	-0.04

# Very briefly:

- Alan Bond was denied a request to be released from jail pending the outcome of his appeal of a two-and-one-half year sentence on a dishonesty conviction; an Australian court reserved judgment on the appeal.
- China plans to launch about 550 projects in Hunan aimed at attracting \$3.1 billion in foreign investment, the China News Service said.
- Fujisankei Communications Group, Japan's largest media organization, said it named Yoshihiko Kobayashi as its new president to succeed Hiroaki Shitani, who resigned after being summarily dismissed as chairman of the group's flagship newspaper, Sankei Shimbun, last week.
- Kirin Brewery Co. said it concluded an agreement with Charles Heidsieck Ltd. of Britain to produce and market Kirin beer in Europe; Kirin said it would be the first Japanese beer to be produced in Europe.
- Shells Shell Sekiyu K.K., 50 percent owned by Royal/Dutch Shell, said parent current profit fell 27 percent in the first half, to 18.66 billion yen (\$146 million), while sales fell 4.3 percent, to 764.84 billion yen.
- Sony Corp. and Texas Instruments Inc. said they were working together to develop a single-chip serial video processor to enhance picture quality; the chip could be used for high-definition TV and multi-media products.
- Hinachi Ltd. said it has developed a semiconductor with capacity far larger than any existing integrated circuit; it said it hoped to commercialize the chip in about 10 years.
- Taiwan will lift a 43-year-old ban on gold exports and remove remaining import restrictions on Aug. 1, the Monetary Affairs Bureau said.

# NYSE

Friday's Closing  
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

Stock	Div	Yield	PE	High	Low	1/4	1/2	3/4	Close	Change
IBM	3.00	4.2	12.5	110 1/4	109 3/4	109 3/4	109 3/4	109 3/4	109 3/4	+1/4
Microsoft	0.00	0.0	15.0	50 1/4	49 3/4	49 3/4	49 3/4	49 3/4	49 3/4	+1/4
Apple	0.00	0.0	10.0	20 1/4	19 3/4	19 3/4	19 3/4	19 3/4	19 3/4	+1/4
Oracle	0.00	0.0	12.0	15 1/4	14 3/4	14 3/4	14 3/4	14 3/4	14 3/4	+1/4
Amazon	0.00	0.0	15.0	10 1/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	+1/4
Google	0.00	0.0	18.0	12 1/4	11 3/4	11 3/4	11 3/4	11 3/4	11 3/4	+1/4
Yahoo	0.00	0.0	10.0	8 1/4	7 3/4	7 3/4	7 3/4	7 3/4	7 3/4	+1/4
Alibaba	0.00	0.0	12.0	6 1/4	5 3/4	5 3/4	5 3/4	5 3/4	5 3/4	+1/4
Twitter	0.00	0.0	15.0	4 1/4	3 3/4	3 3/4	3 3/4	3 3/4	3 3/4	+1/4
LinkedIn	0.00	0.0	18.0	3 1/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	+1/4
Facebook	0.00	0.0	20.0	2 1/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	+1/4
Slack	0.00	0.0	25.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Zoom	0.00	0.0	30.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Dropbox	0.00	0.0	35.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Box	0.00	0.0	40.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Evernote	0.00	0.0	45.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
OneDrive	0.00	0.0	50.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
SharePoint	0.00	0.0	55.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Teams	0.00	0.0	60.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Outlook	0.00	0.0	65.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Word	0.00	0.0	70.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Excel	0.00	0.0	75.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
PowerPoint	0.00	0.0	80.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Access	0.00	0.0	85.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Basic	0.00	0.0	90.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio	0.00	0.0	95.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Code	0.00	0.0	100.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Team Services	0.00	0.0	105.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Online	0.00	0.0	110.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio App Center	0.00	0.0	115.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio DevOps	0.00	0.0	120.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Enterprise	0.00	0.0	125.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Professional	0.00	0.0	130.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Community	0.00	0.0	135.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Express	0.00	0.0	140.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Light	0.00	0.0	145.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Web	0.00	0.0	150.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Mobile	0.00	0.0	155.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Cloud	0.00	0.0	160.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio IoT	0.00	0.0	165.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio AI	0.00	0.0	170.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio AR	0.00	0.0	175.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio VR	0.00	0.0	180.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Mixed Reality	0.00	0.0	185.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Edge	0.00	0.0	190.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio HoloLens	0.00	0.0	195.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Windows Holographic	0.00	0.0	200.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	+1/4
Visual Studio Windows Mixed Reality	0.00	0.0	205.0	1 1/4	1 1/4	1 1/4	1 1/4	1 1		



# THE MONEY REPORT

Saturday-Sunday, August 1-2, 1992 Page 12

FIRST COLUMN

## Promise Held Back By Reality

**T**HOSE who ever doubted that reality has an irritating habit of lagging behind fantasy would do well to look to the world of finance. Three obvious examples spring to mind.

First up is futures trading. For a long time now the futures have been sounding for the advent of a huge, sophisticated, globally interconnected market in futures. And that's what the GLOBEX system is — global, sophisticated, and late.

The Chicago Mercantile Exchange is understandably making loud noises about the fact that seven currency contracts — German mark, Japanese yen, British pound, Canadian and Australian dollars, Swiss franc, and mark against yen — can now be traded around-the-world, around-the-clock. That sound part is a little bit tongue in cheek, since GLOBEX operates for twelve hours only — it goes round the clock, all right, but only once. All in all, it's a little difficult to get so excited about something that was supposed to happen months ago. To borrow a market term, the news has already been discounted.

Second up come the banks. The endless debate on the reform of the U.S. banking system is a good example. The long discussion process and the intense lobbying followed by the neutered, compromised bill have left many people with the impression that something significant has happened. Unfortunately, the United States is as far as it ever was from a national system, and the narrow parochialism of the tiny, inefficient local banks still holds the legislators in its thrall.

Just as depressing, in its own way, is the move — so slow as to be barely discernible — toward European monetary union. Nationalism, alias parochialism in a smart suit, is the dominating factor here. Although monetary union has been agreed on and is scheduled before the end of the decade, national interests remain powerful enough to make full monetary union with no withdrawals by individual nations seem highly unlikely.

If you like your fantasies, stay away from finance.

M.B.

## Rising Bond Yields Shift Risk Onto European Stocks

By William Ellington

**J**UST what moves a market? The Japanese government may not be able to find the answer, but it must be asking the question, as this week's cut in its discount rate — an easing of the cost of money that paralleled the U.S. move in the middle of last month — produced a 1 percent fall in the Nikkei stock average. The feeling in the market was that the rate cut was too little, too late, and the index dropped back to a six-year low, before recovering in this trade toward the end of the week to finish Friday on 15,910.88.

The traditional wisdom that lower short-term interest rates automatically mean a rising stock market looks unconvincing in the Japanese case. But that is only one of the measures analysts use as an indicator. There is, for example, a long-known — but still not widely accepted — theory of financial relativity that is gradually moving to the forefront of market thinking.

The nub of the theory is that bond yields are more important than short-term rates, and about as important as dividend yields, in deciding whether stock markets are undervalued or overvalued. In particular, the theory holds that a rational portfolio manager would opt for low-risk, long-term government bonds as long as they yield as much as stock dividends and the anticipated annual percentage growth in dividends.

In other words, if stock dividends yield an average of 5 percent (the case with a \$20 stock that pays a \$1 a year dividend), and the anticipated growth of dividend yields is 5 percent, portfolio managers would start selling stocks and buying bonds when bond yields rise to or above 10 percent.

Another way to look at this is to focus on what some analysts call the "risk premium." This premium represents the difference between dividend yields, adjusted for growth, and bond yields. The premium is calculated by adding dividend yields and dividend growth rates together and subtracting bond yields.

European Monetary System, such as Italy. As a result, "equities became expensive in relation to bonds," says Guy Riggden, a global equity strategist at UBS Phillips & Drew in London.

Now according to the theory of financial relativity, if bond yields rise, dividend yields on stocks also should rise. There are two ways this can happen. One is by an increase in dividends. Obviously, this cannot occur overnight. That leads to the other way of boosting dividend yields: a fall in stock prices. Indeed, stocks fell sharply across Europe in the week after the Bundesbank rate increase.

Another conclusion that analysts drew from the German central bank's credit-tightening was that any downturn in European interest rates will be delayed, possibly into next year. This has caused some analysts to revise down their estimates for earnings growth, making bonds appear to be even more favorable than stocks.

Mr. Riggden says that "1992 was supposed to be growth positive for Europe, but now there are a lot of doubts."

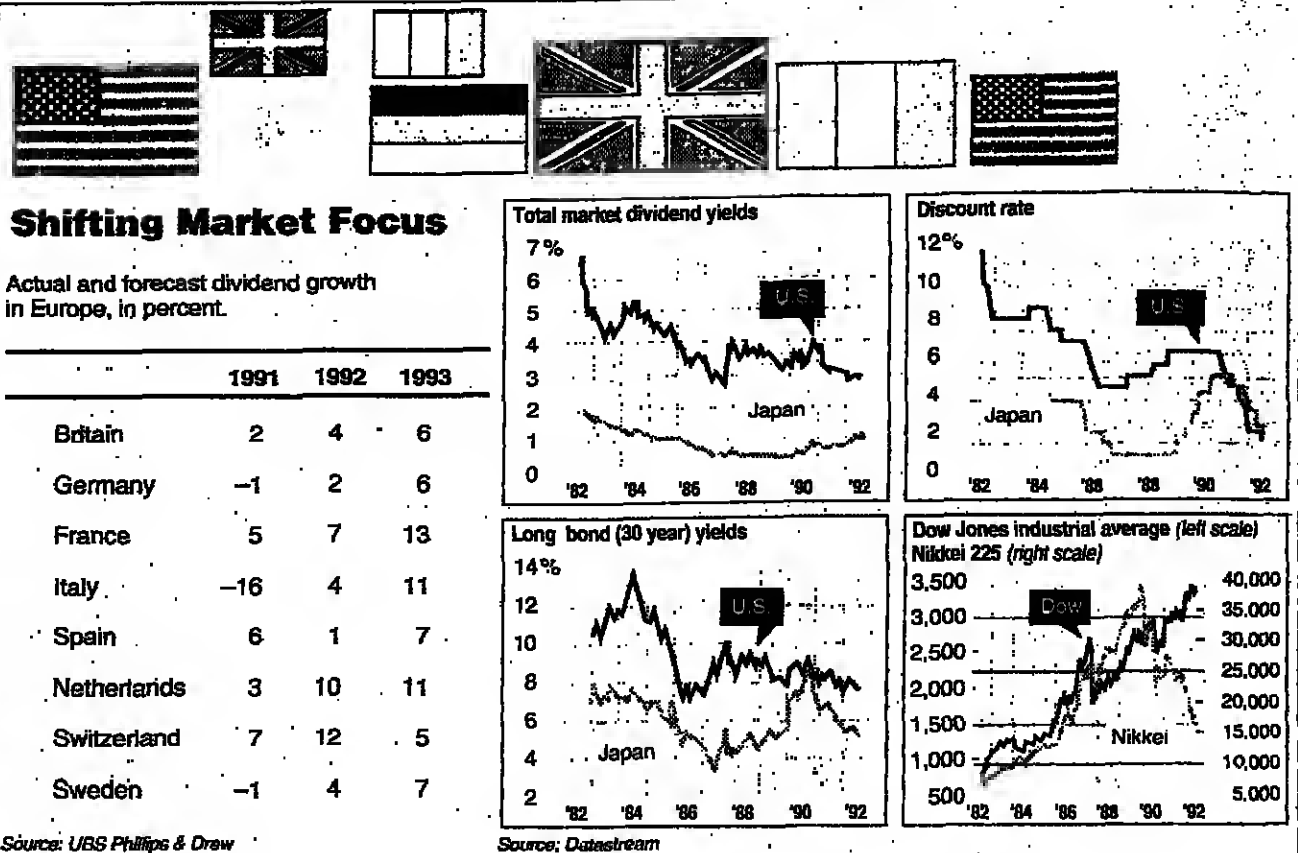
In the first half of the year, European share markets collectively outperformed the U.S. share market, as predicted by the risk-premium models. Those models showed a less-favorable risk premium for U.S. stocks because of the low dividend yields on American shares, combined with relatively high long-term bond yields.

But the Bundesbank's discount-rate increase pushed European bond yields higher. And just before the Bundesbank moved, the U.S. Federal Reserve cut its discount rate, which in turn sent U.S. bond yields falling. As a result, the U.S. share market recently has pulled ahead of Europe in performance for the year.

Despite this shift in the markets, some analysts contend that Europe will perform better in the future because of the prospect for eventual declines in bond yields and relatively strong growth in corporate earnings, which should feed through to dividends.

Richard Davidson, a quantitative analyst at Morgan Stanley & Co. in London, says that corporate earnings growth forecasts in Europe are based on productivity gains rather than faster economic growth. He argues that a leveling off of economic growth won't adversely affect earnings growth and that interest rates around Europe should start to fall by year-end.

Goldman Sachs International Ltd. recently revised down its estimates for growth in Britain, but it said that as long as a growth rate of 1.5 percent is achieved in 1993, its risk-premium model shows that British share prices should advance.



## Tokyo Collapse Revives Equity Warrants

By Steven Brill

**F**EW markets have been as speculative, and crashed so spectacularly, as the market for Japanese equity warrants, a type of stock option. Yet, even as investors are preparing to swallow billions of dollars in losses on worthless warrants, a trickle of new issues is being snapped up by gutsy investors hopeful the Japanese economy and stock market will recover over the medium-term.

There is irony, as well as good sense, in the market's revival. After all, it was the astonishing collapse of Tokyo stock prices over the past two and a half years that has made most outstanding warrants worthless, and has forced Japan Inc. to scramble to refinance tens of billions of dollars in associated debt. And Tokyo has been hitting new lows even as new warrant issues have come to market.

However, the sheer depths of the current market has made some investors willing to bet that prices are bound to recover. If that's true, warrants that give a multi-year option to buy stock at a small premium to today's depressed prices should be good value.

"The demand for new issues has been enormous," said Nick Brown, head of warrant trading at Baring Securities in Tokyo. "If the Tokyo stock market is perceived to have recovered, we'll see a lot more companies making new issues."

Warrants issued with bonds have been a favorite method of raising capital in corporate Japan. Typically the warrant, which gives holders the right to buy stock at a fixed price over a period of usually up to five years, is stripped from the bond and traded separately on secondary markets.

Because a warrant can be purchased for only a fraction of the price of the underlying stock, the upside potential is enormous should the share price rise. The downside potential, however, is also great: If the share price falls, the warrant becomes virtually worthless.

A recent issue of bonds and warrants from Kuraray Co., a medium-sized maker of synthetic fibers, was bidders only for 10 days after being issued. The price of the warrant, which gives a four-year option to buy 35,000 worth of shares, has risen to about \$919 from \$830 at launch. The current price means the warrant will be profitable if the stock appreciates 20 percent above its current level.

Kuraray, Penta-Ocean Construction Co. and Mitsubishi Oil Co. are among the latest of some 69 Japanese companies to have issued warrant bonds this year.

In the late 1980s, when the Tokyo Stock Exchange was soaring, warrant bonds were the rage. With stock prices seemingly on a eternal upswing, investors accepted interest payments on bonds as low as 1 percent in return for the right to buy a company's shares at a price that was expected to be below market value years later.

Japanese companies thought it was a panacea. They could borrow at nearly no cost, and when the issues reached maturity, they reckoned most of the warrants would be exercised to buy stock, providing new capital that would pay off the bonds.

Most of the warrant bonds were issued in 1989, the year that closed with the Tokyo exchange's main Nikkei index at its all-time peak of 38,915.87. Now the Nikkei is trading about 60 percent below its zenith, and more than 90 percent of the outstanding warrants have an exercise price above the current share price, and are thus unlikely to be exercised.

The losses will be enormous. If all the warrants maturing in 1992 were to be exercised, that would raise \$19.8 billion for the companies who issued the warrants. In 1993, the sum would rise to \$74.8 billion, according to Baring Securities.

Although showing signs of life, the warrant bond market remains a shadow of its former self. The 69 new issues this year is as many as were issued in a single month in the market's heyday. Moreover, the market has become less volatile and dynamic due to a new screen-based trading system for warrants in Japan as well as the growing use of warrants as a hedging device.

"It used to be the fastest moving market in London," said Richard P. West, head of warrants at Jardine Fleming Securities. "Now you hardly ever get your adrenaline going."

Whether the Japanese warrant market can be revitalized depends on whether companies decide to issue new warrant bonds, a choice that turns on the prospects of Tokyo stocks recovering, Mr. Brown said.

The Ministry of Finance, worried about the overhang of existing debt, has issued restrictions that make it difficult for Japanese companies that have warrant bonds outstanding to offer new ones. Still, analysts say a turnaround on the Tokyo exchange would lead to a flurry of new issues, if only because companies must raise cash to pay off warrant bonds set to reach maturity this year and next. A rally toward 20,000 on the Nikkei over the next 12 months also would bring about half the outstanding warrants into play.

For individuals, the simplest way to buy Japanese warrant bonds is through investment funds run by securities houses, including Robert Fleming, Morgan Stanley and the Big Four Japanese securities houses.

NEW from the International Herald Tribune

Volume 1, Number 1  
A Quarterly Publication  
June - September  
September 1992

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### BRIEFCASE

#### New Hambros Fund Targets High-Grade Bonds

Hambros Fund Managers (Channel Islands) Ltd., an offshore subsidiary of the Hambros banking group, is launching a dollar managed fund. The fund is designed to offer low-risk, longer-term investment from a portfolio of fixed-income assets. In other words, the managers will make high-grade bond plays. They will seek to provide both capital growth and "a market-related income."

Registered in the tax-privileged domicile of Guernsey, the fund is part of Hambros's EMMA umbrella fund, which had more than \$318 million under management at the beginning of June. The fund is recognized by the leading British investment watchdog, the Securities and Investment Board.

Charges are 4 percent initially, and 1 percent annually. Minimum investment is \$3,800, although as little as \$180 may be subscribed monthly.

For more information, write Hambros Fund Managers (C.I.) Ltd., PO Box 255, St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands; or call Guernsey (44 481) 715 454.

#### Dividend Reinvestment Gets a Boost From Schwab

The U.S. discount broker Charles Schwab & Co. is rolling out a new service for its customers — dividend reinvestment.

Under the plan, investors in a company can use their dividends to buy more shares rather than taking the payments in cash. Individual companies, big blue chips like IBM and General Motors, have long offered their shareholders this option, but Schwab said it will provide reinvestment services on any U.S. stock, including more than 3,500 exchange-listed and NASDAQ companies.

To take advantage of the service, Schwab customers will simply tell the broker on which stocks in their account they want to have dividends reinvested. The transactions will then take place automatically, with fees deducted from the dividend before reinvestment. Dividends of up to \$250 will be reinvested for a fee of 3.5 percent, or \$3.50, whichever is less. Above \$250, the fee is pegged at 1.5 percent.

There is one hitch. If you're one of those investors who takes comfort in squirreling away your stock certificates in a safety-de-

posit box, you won't be able to participate in the program. The shares must be on deposit at Schwab to obtain the service.

For more information, call (within the United States) 1 800 635 7020, or (outside the United States) (1) 212 370 1177.

#### Jewelry Sales Dress Up A Bleak Outlook for Gold

The gold price has deviated very little from a mean price of \$360 over the past couple of years, despite a succession of international crises and conflicts that supposedly favor the metal.

One of the main reasons for bullion's sluggish behavior, analysts say, is an excess of supply rather than a lack of demand. But news from the London-based World Gold Council indicates that demand for physical

Gold officials in metric tons, vs. year earlier period and 1991 year total.	1991	1991	1992
	1st Qtr.	1st Qtr.	1st Qtr.
Developing Markets (1)	142.2	437.3	140.2
Developed Markets (2)	228.6	602.1	121.8
— Jewelry	30.9	88.8	18.0
— Investment	5.5	24.7	8.9
Dental (4)			

Notes: (1) Jewelry, bar and coin outside of Taiwan, Hong Kong, Thailand, Singapore, Malaysia, S. Korea. (2) Six major markets: US, Japan, France, Germany, Italy, Britain. (3) Japan only. (4) Germany, Switzerland, Italy.

Source: World Gold Council

gold — as opposed to speculative forward trading on the bullion market — is falling. Purchases for sale to consumers fell over 1 percent in the first quarter of the year, according to the WGC's preliminary estimates.

The good news on physical gold consumption, however, is that the jewelry market is picking up. In the United States, consumers bought 5 percent more gold jewelry in January and February than in the same months of

1991. Consumption in Japan rose by 6 percent, although trade purchase for sale to consumers fell 8 percent.

"These figures are reassuring for gold jewelry under difficult conditions," said Roger Murphy, a regional investment manager at WGC.

#### Calvert Picks Johnstone To Manage New Social Fund

The Calvert Group, one of the biggest purveyors of so-called socially responsible mutual funds in the United States, is moving into the global arena with its new World Values fund.

The firm, which is regarded as a pioneer in social investing, has teamed up with the Scottish firm Murray Johnstone International as manager of the fund's portfolio. The Glasgow-based investment manager will make the stock picks according to traditional financial and performance criteria, while Calvert will lay down the guidelines to determine a company's impact on the environment, health-care issues and human rights. The fund will avoid significant involvement in nuclear power, weapons, alcohol and tobacco, and it will not invest in South Africa.

Calvert already manages some \$1.1 billion in socially responsible funds. The new World Values fund will have a 4.75 percent front-end load, with a minimum initial investment of \$2,000.

#### Woolwich Brings Low Yields To Guernsey In Dollar Offer

Woolwich Guernsey, an offshore affiliate of the British building society Woolwich Equitable, is marketing a fixed-rate U.S. dollar account. Interest is paid gross at a guaranteed rate over a fixed term, and investors can choose terms of 1, 3, 6 or 12 months. Rates vary daily. A typical range of rates this week ranged from 2.75 percent over one month to 3.12 percent over a year.

Investors can opt to have interest paid to them as income and have the capital automatically reinvested. The minimum investment is \$20,000, although deposits of an equivalent sum in any major currency are acceptable. Transactions are free, with the exception of electronic funds transfers, which cost \$35 each.

For more information, write Woolwich Guernsey, La Tonnelle House, Les Banques, PO Box 341, St. Peter Port, Guernsey; or call Guernsey (44 481) 715 735



THE MONEY REPORT

Hopes Return to Stockholm Bourse

By Aline Sullivan

The Affarsvarlden general index of Swedish stocks has tumbled almost 25 percent since a center-right coalition replaced almost 60 years of Socialist rule, dashing hopes of a conservative-inspired stock market rally.

The commitment by the government of Prime Minister Carl Bildt to join the European Community and its fixed exchange-rate system and lower taxes seemed to be a recipe for higher share prices. But the government's efforts to prepare state-owned industries for privatization were unfortunately timed. Companies, particularly the engineering and manufacturing groups, were battered by the effects of global recession in the midst of their own extensive restructuring.

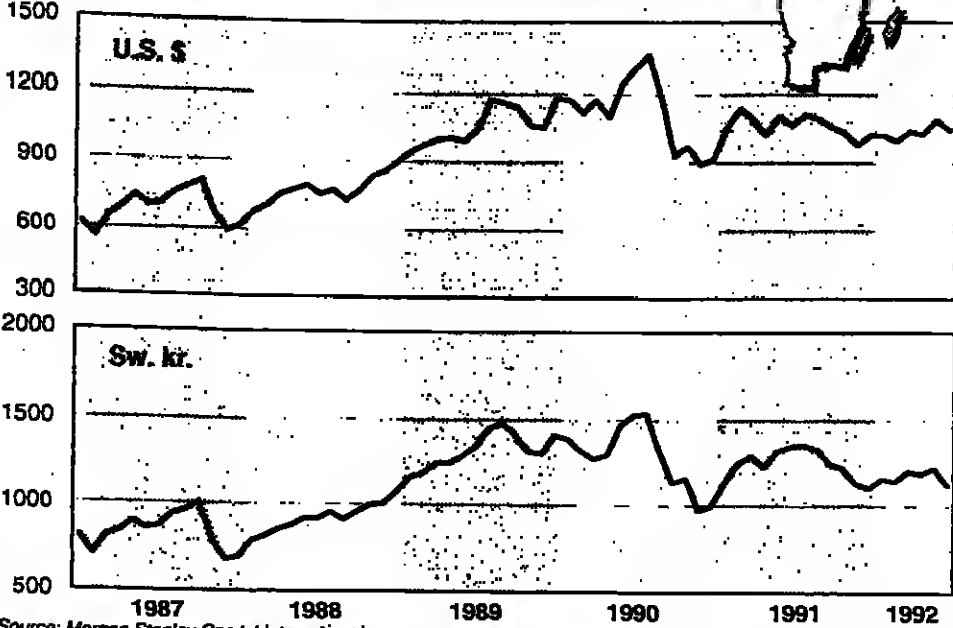
But now at last there are some signs of life in the Swedish stock market. Export activity has picked up, inflation is down and many companies are starting to show signs of earnings recovery.

Swedish companies have been carrying the fat of many years of socialism, said Baring Securities analyst Gary Dugan in London. "Now that they have restructured it's a good time to invest in these stocks." He expects Swedish company earnings growth to outpace the European average by about 7 percent next year and by 50 percent in 1994.

Stock market analysts point to Sweden's increasing participation in European economic and political life as a likely boost for exports. Sweden applied for EC membership in July 1991 and is now busy preparing for possible entry in 1995. This involves bringing its interest rates into line with other EC members and cutting taxes from the current 57 percent of gross national product to around 46 percent by the end of the century, a plan welcomed by companies and investors. Sweden is not a member

Weighing Swedish Stocks

Price index of Swedish stocks in kronor and in U.S. dollars.



Source: Morgan Stanley Capital International

of the exchange-rate mechanism, which ties EC currencies together, but the krona is informally tied to the European Currency Unit and has tracked it since early last year.

Analysts also expect Swedish companies to benefit from any recovery in the United States, where Volvo AB, Saab-Scania AB and some of the big pharmaceutical companies make a large proportion of their sales.

Institutional investors have already started to increase their weighting in Swedish stocks. Many have been attracted by the new availability of shares previously out of bounds to foreigners and the government's plans to sell part of its industrial holdings.

Neil Oster, a director at London-based fund managers Marathon Asset Management, said Swedish stocks were a good buy "if you believe in economic recovery" in Europe and the United States. Swedish companies are ultimately going to be winners in European

industry, he said, because they are better managed than many of their competitors — although this is not a universally held view.

Food and pharmaceutical group Procordia AB, in which the government owns 34.2 percent of the stock and 42.7 percent of the voting shares, will be offered for sale in the autumn as the first of a program to sell 35 of the country's state-owned companies to private investors. The sale was meant to start earlier this year but encountered a delay when Volvo, the largest shareholder in Procordia, announced plans to take over the company before being blocked by the government.

The incident rekindled investor fears that the management of major Swedish companies was too inbred after almost 60 years of state control. At the time of the proposed deal, only one of Procordia's 17 directors was simply an employee of Procordia. Of the others, six represented trade unions, three

Volvo, three were appointed by the former Swedish government and four were independent.

Family control is another relic of Sweden's past that continues to affect investor perception of its companies. Barclays de Zoete Wedd analyst Sean Lindsay said foreign interest in some companies has been stunted by the seemingly absolute control exercised by family shareholders. This deterrent should fade, however, as companies are opened to foreign shareholders, he said.

The Wallenberg family, whose wealth analysts estimate at about 70 billion kronor (\$13 billion), owns substantial stakes in Investor, Astra AB, ASEA AB, Stora Kopparbergs Bergslags AB, Saab-Scania, SKF, Atlas-Copco AB, L.M. Ericsson, Electrolux AB, Incentive AB and ESAB AB. The Rausing family controls Tetra Pak AB and Alfa-Laval AB.

Other candidates for full or partial public sale include Scandinavian Airlines System, or SAS, which is 50 percent owned by the governments of Sweden, Norway and Denmark; the telecommunications authority Televerket; power generating company Vattenfall, and Sverig Steel, the steelmaker. Foreign investors will be encouraged to buy shares in these companies and most restrictions limiting foreign ownership will soon be abolished.

"The gradual removal of restricted shares will slowly increase the extent to which the Stockholm market functions as a market not only for equity but also for corporate control," said Johan Ervolf, an analyst with Carnegie International in London. "The issue is then how to seek to increase a portfolio's exposure to high voting shares."

One effective way is via holdings in investment companies like Investor. Mr. Ervolf rates Investor a "buy" because it has a 23 billion kronor portfolio of high quality assets and strategic equity holdings in other major Swedish companies. Investor is 26 percent owned by the Wallenberg family.

Analysts are generally bearish on Swedish banks and insurers, both of which have been badly affected by falling real estate values. The impact of the recession, high interest rates and increased credit losses has resulted in poor earnings.

Expanding Indexes: Investors Like Them

By Martin Baker

THE expanding universe of stock indexes grew a little larger this week. Wednesday saw the publication of the International Herald Tribune's World Stock Index, compiled by Bloomberg Business News.

Readers now have a quick measure of the health of the world's 20 most important stock markets and, indirectly, their underlying economies.

Indexes serve as an unbiased measure of markets enabling investors to understand the opportunities in each market," said a spokesman for one leading compiler of international stock indexes. "They serve as benchmarks for professional managers against which their portfolio management abilities are measured. As stock markets are barometers of market economies, indexes are economic indicators." The Trib Index is designed to function on all those levels.

The values of the Trib Index as an analytical tool will make itself felt in Money Report articles featuring specific countries or worldwide industries.

The index lends itself to this purpose by tracking the top 10 shares in each market, with the exception of New York, Tokyo and London, where 20 stocks from each market are included. One of the specific benefits of including the biggest shares from each country — as opposed to weighting all shares against one another irrespective of nationality — will be the availability of an economic snapshot of how a given country's major corporations are performing.

But the guiding principles of creating the index have not been to provide just a useful tool for financial analysts. The Trib Index is designed to be as simple as possible, and to be composed only of shares that are available to international investors.

By making the index easy to understand and constructing it to readily purchaseable stocks, the intention is to give the index immediacy.

It corresponds to something readily available in the real world. If readers decided to buy the index — and it must be stressed that this is not an invitation to do so — they could do it relatively easily. There are 232 stocks from 230 different companies (two companies have split stock and are therefore listed twice). It would simply be a question of finding a brokerage, and handing over enough money to be invested in shares following the weighting of the index.

The index is weighted according to market value. This accounts for the fact that although the United States has only 20 stocks in the index, it represents approximately one-third of its value. Hong Kong, on the other hand, has 10 stocks



represented in the index, but accounts for just 3 percent of its value. This is because of the relatively small size of the Hong Kong market.

One of the main reasons that the number of indexes has multiplied rapidly in recent years is that investing in indexes has often proved attractive. "Indexing large, liquid markets like the S&P 500 may not be a bad idea," the Chicago-based mutual fund statistical firm Morningstar wrote in a commentary earlier this year. "In contrast, less-researched sectors give top managers the opportunity to outperform weaker rivals in such situations," it concluded, "investors would do well to shun index funds."

Morningstar's research made grim reading for investors in actively managed funds trying to beat the indexes of large, liquid markets. Of 47 funds investing in large capitalization stocks monitored over a five-year period to the beginning of this year, only 12 were able to beat the S&P 500, after expenses.

RESEARCH done by Morgan Grenfell Investment Funds Ltd., a London-based mutual fund manager, has produced similar results. Before launching its fund to track the British market, Morgan Grenfell ran back the fund performance statistics for the preceding 10 years.

"Year-on-year over the preceding 10 years the index outperformed 90 percent of unit trusts, investment trusts and life funds," said Tony Fraher, managing director of Morgan Grenfell Investment Funds. "But now we've got a more convincing statistic: Since launch in October 1988, 90 percent of

funds should beat the market index. Index funds are a good short-term option for institutional investors."

DWS pointed to the performance of its Akkumulat fund, which invests in international equities. Over the 10 years to the end of June, the fund showed a dollar total return of 570 percent, versus a return of 430 percent from Morgan Stanley Capital International's World Index. Over five years, the fund returned a dollar gain of 78 percent, versus an advance of 19 percent from the Morgan Stanley index, DWS claimed.

Notwithstanding DWS's skepticism over index investment, the firm has a highly successful index tracking fund. The Konzept '91 fund closed its subscription lists in January, having taken 300 million Deutsche marks (\$202 million).

The fund tracks the Frankfurt DAX index, but also guarantees investors the return of their original investment if the index should fall below its level during the fund launch when the fund closes and distributes its assets in 1994.

INTERNATIONAL financial consultants Ernst & Young recently highlighted the opportunities afforded by index investment in its regular financial planning bulletin. The bulletin argued that given that the U.S. stock market not too many years ago used to account for 80 percent of world stock market capitalization, but is now down to something less than 40 percent, a little portfolio diversification outside U.S. stocks might be a good idea. It cited funds tracking foreign indexes as a good idea, primarily because that route avoided having to select individual stocks or individual managers.

That's true, up to a point. After all, the role of the manager is significantly diminished in index fund investment, the manager is still important. To track an index efficiently the manager must have a slick computer system and generally a lean business operation that enables charges to be kept to a minimum. Groups like Vanguard, which is a master at cost-cutting, have index funds, and their performance can, and should, be checked against the indexes they track before investing.

Analyst's Estimates of French Company Results

Table with columns: COMPANY, End of financial year, Earnings per share for 92, Last month's est., % change, Last month's closing price, Current price, % change, PE (est.), No. of analysts. Lists companies like MICHELIN, TELEF. FRANC 1, PARIBAS, VALEO, etc.

Swap Dealers Seek to Allay Fears of a Meltdown

Prophets of financial collapse have found ample grist for their doomsday scenarios in the swaps market, thanks to its almost incomprehensible size and complexity and light-handed regulation. But a survey published this week in New York suggests that the risks so far are manageable.

The new study, done in the request of currency and interest-rate swap dealers, indicates that losses in the burgeoning industry have been rare, but that they still amount to more than \$358 million. The losses represent a tiny part of the trillions of dollars of swaps that have been written, and most of them came from one well-publicized problem: A decision by British authorities that allowed local governments to back out of interest-rate swap arrangements.

In the simplest form of interest-rate swap, one party agrees to pay the other's fixed interest-rate obligations on a loan of, say, \$200 million, while the other agrees to pay floating rates on a similar loan. In the minimal reporting of swap dealers, that swap would be reported as having a "notional principal amount" of \$200 million, although the most either party could lose, in case of default, is a small fraction of that amount.

the swaps market — as opposed to the individual participants in it — is exempt from regulation by the Commodity Futures Trading Commission.

William F. O'Connor, the president of the Chicago Board of Trade, the United States' largest futures exchange, referred in a speech last month to the possibility of a "major meltdown" and complained that the swaps markets "have a leg up on the exchange-traded markets because there is no self-regulation, and there is no oversight authority. Basically, anything goes."

Both swaps and futures represent a way to transfer various types of risks. But whereas futures contracts are regulated by the CFTC, with volume limits, margin rules and disclosure of trading prices, swaps are negotiated over the counter, with only the most minimal disclosure.

The swaps market grew rapidly in the 1980s, but has slowed a bit. The notional principal amount of outstanding interest-rate swaps contracts at the end of last year was \$3.1 trillion, while the volume of currency swaps was \$807 billion, according to new figures. In the simplest form of currency swap,

one party agrees to pay a fixed amount of dollars while the other agrees to pay a fixed amount of another currency, like German marks.

During the final six months of 1991, volume of new interest-rate swaps was \$860 billion, 13 percent more than in the prior period, while volume of new currency swaps was \$167 billion, an increase of just 4 percent.

Recently, market participants say, the rapid growth in the swaps market has been in the areas of commodity and equity swaps. But the swap dealers association has never released figures on those.

In the case of equity swaps, Arthur Andersen & Co. surveyed firms representing about 70 percent of the swaps market, or a total notional principal amount of \$3.1 trillion. The losses in all the swaps in the study was \$358 million, or about one-hundredth of 1 percent of the notional principal amount.

In fact, that percentage grossly understates the losses as a percent-

age of the amount risked. One way to measure that is to add up the gross mark-to-market value of outstanding swaps, or what it would cost to liquidate them. That figure is \$77.5 billion, so losses came to less than one-half of 1 percent. The swap dealers association claims that compares favorably to the experience of banks in making loans, and argues that there is no need for additional regulation of swaps.

The study showed \$178 million in losses from swaps with the British local authorities, which were allowed by a House of Lords decision to walk away from losses on the ground that the local governments lacked the power to enter into deals.

An additional \$95 million of losses came in dealings with non-financial corporations, while there were \$20 million in losses from deals with savings and loan associations and \$63 million involving other financial institutions. And about \$3 million came in losses from swaps with other types of governmental authorities. (IHT, NYT)

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# AMEX

Friday's Closing  
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

High	Low	Stock	Div	Yield	High	Low	AMEX
100.00	98.00	AA	0.00	0.00	100.00	98.00	100.00
100.00	98.00	AA	0.00	0.00	100.00	98.00	100.00
100.00	98.00	AA	0.00	0.00	100.00	98.00	100.00

High	Low	Stock	Div	Yield	High	Low	AMEX
100.00	98.00	AA	0.00	0.00	100.00	98.00	100.00
100.00	98.00	AA	0.00	0.00	100.00	98.00	100.00
100.00	98.00	AA	0.00	0.00	100.00	98.00	100.00

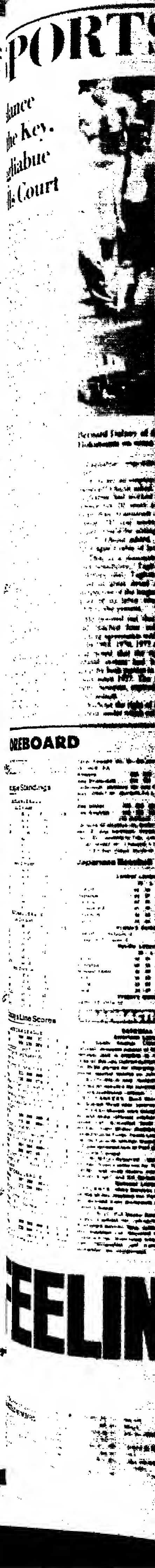
High	Low	Stock	Div	Yield	High	Low	AMEX
100.00	98.00	AA	0.00	0.00	100.00	98.00	100.00
100.00	98.00	AA	0.00	0.00	100.00	98.00	100.00
100.00	98.00	AA	0.00	0.00	100.00	98.00	100.00

High	Low	Stock	Div	Yield	High	Low	AMEX
100.00	98.00	AA	0.00	0.00	100.00	98.00	100.00
100.00	98.00	AA	0.00	0.00	100.00	98.00	100.00
100.00	98.00	AA	0.00	0.00	100.00	98.00	100.00

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AA	100.00	AA	100.00	AA	100.00	AA	100.00
AA	100.00	AA	100.00	AA	100.00	AA	100.00
AA	100.00	AA	100.00	AA	100.00	AA	100.00

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# SPORTS BASEBALL

## Balance Is the Key, Tagliabue Tells Court

**By Thomas George**  
*New York Times Service*

**MINNEAPOLIS** — In his first day of testimony in the Freeman McNeil v. National Football League free-agency lawsuit, Commissioner Paul Tagliabue argued in favor of the league's rules that he said maintain competitive balance and keep the NFL financially healthy for players, owners and fans.

"Our league is a joint and common venture of the teams," Tagliabue said. "It is unique because the teams join together to present one product, the National Football League, and they compete on the field but join together in a business sense to share the revenues, the profits and the losses."

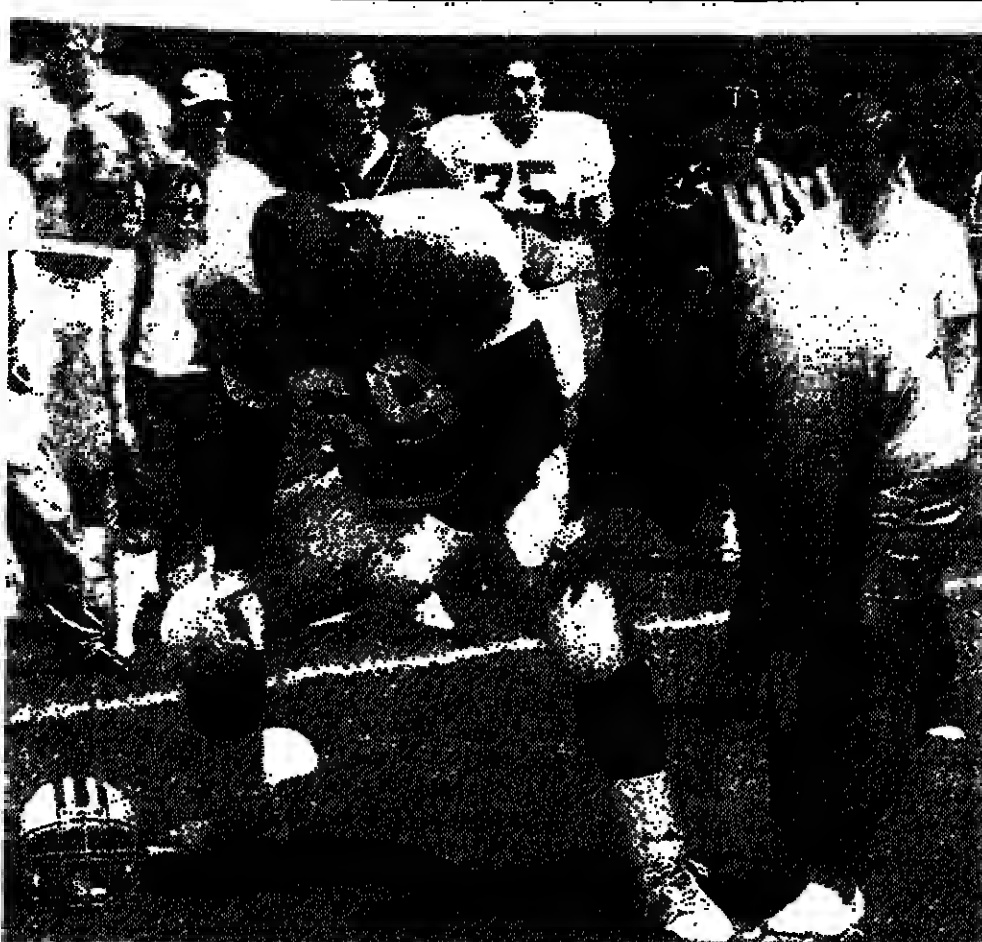
Tagliabue was questioned for nearly five hours Thursday by the league's lawyer, Frank Rothman, and during the final hour by the players' lawyer, Jim Quinn. He will resume his testimony on Monday, when the trial resumes in its sixth week.

The crux of the trial is the legality of the league's right of first refusal and Plan B free-agent systems.

Under right of first refusal, a nonsigned player who signs an offer sheet with another team is free to leave only if his former team fails to match the offer and his new team awards his former one two first-round draft choices. Under the Plan B system, teams can protect 37 players on their roster, leaving the rest free to sign with other teams without compensation.

The league argues that both systems are necessary to maintain competitive balance and prevent big-market cities from monopolizing talent. The players contend that both systems are illegal under anti-trust law and are seeking damages for the eight players named in the suit.

Quinn asked Tagliabue whether when he left college, there was a group of lawyers who told him that he had to work for a certain firm. He asked Tagliabue if compensation was required to sign his old firm when he left in November of 1989 to become the NFL commissioner.



Bernard Dafney of the Houston Oilers getting some tips Friday from the former grand champion Hokotsumo on sumo wrestling. The Oilers play Dallas on Sunday in the American Bowl in Tokyo.

Tagliabue responded to each time.

"You are an employee of the 28 owners," Quinn asked, noting that Tagliabue had worked as a league lawyer for 20 years and handled more than 50 antitrust cases for the league. "If you weren't commissioner, you'd be sitting right over there?" Quinn added, pointing to the league's table of lawyers.

"That is a reasonable and distinct possibility," Tagliabue said.

Before that, Tagliabue had offered in great detail a historical perspective of the league and a synopsis of its labor situation from 1968 to the present.

He pointed out that the league had reached four collective-bargaining agreements with its players — in 1968, 1970, 1977 and 1982 — and noted that the right of first refusal system had been agreed upon by both parties in each agreement since 1977. The 1982 agreement, however, expired before the 1987 season.

Without the right of first refusal system, under which only two play-

ers have moved to new teams since its inception, "in my view, the competitive balance of the league and indeed the financial stability of the league would be jeopardized," Tagliabue said.

**Barney Still Playing Hurt**

Just like his playing days, Lem Barney will even play hurt when it comes to his induction into the Pro Football Hall of Fame, The Associated Press reported.

Barney, a standout cornerback and kick returner for 11 seasons with the Detroit Lions, will join the Los Angeles Raiders' owner, Al Davis, running back John Riggins and tight end John Mackey at induction ceremonies in Canton, Ohio, on Saturday despite a painful infection that kept him in a hospital this week.

"I'll be down there on Saturday. It's a painful injury, very painful. But I'll be there," Barney said from his Detroit hospital room.

The Philadelphia Eagles meet the New York Jets in the annual Hall of Fame exhibition game after the induction ceremonies.

## Home at Last, Pirates Win 4-0

*The Associated Press*

The Pittsburgh Pirates, who lost their season-long grip on first place in the East during their just-completed 2-7 road trip, defeated the St. Louis Cardinals, 4-0, at home to halt a three-game skid.

The shutout, the 15th of the season for the Pirates, kept them even with the Montreal Expos, who

made up five games while Pittsburgh was reeling on the road.

"I don't think you're ever as bad as you look when you're losing, or as good as you look when you're winning," said Pittsburgh's manager, Jim Leyland. "As bad as it seemed — and it was bad — we weren't out of many of those games. A base hit or sacrifice fly in the right place in four of the those games and it's not such a bad trip."

Whatever the six-game home stand got off on the right foot behind left-hander Danny Jackson, who won his first game as a Pirate.

Jackson, acquired from Chicago on July 10 for Steve Buechele, shut out the Cardinals on eight hits over seven innings to lower his ERA to 1.29 in three starts with Pittsburgh. The Pirates had scored only three runs in 24 innings for Jackson until they finally got to starter Mark Clark in the seventh.

"You can't go out there worrying

how many runs you're going to get. If you do that you'll start pressing and trying to be too fine," Jackson said. "You just go out there and pitch the way you know how to pitch."

"I've watched this team for four years. I know they're going to score runs."

Bob Patterson pitched the final two innings for his seventh save.

Clark had checked the Pirates on one run over 14 innings this season until Mike LaValle doubled, Jose Lind singled and Alex Cole tripled over Rex Hudler's head in right field to break open the scoreless game and send the Cardinals to their 10th loss in 14 games since the All-Star break.

Expos 7, Phillies 2: In Montreal, Mark Gardner won his 10th game of the season and Larry Walker hit a two-run homer against Philadelphia, but the Expos took a severe blow when star outfielder Marce Grissom suffered a hairline fracture of his left hand.

Grissom, who leads the major leagues with 54 stolen bases, was hit by Phillies pitcher Cliff Brantley in the sixth inning and will be lost to the team indefinitely. Gardner allowed six hits, struck out four and walked two in 6 1/2 innings. Mel Rojas finished, allowing one hit and striking out three.

Giants 5, Braves 6: In San Francisco, John Burkett pitched a four-

hitter and Matt Williams singled three times and scored four runs as the Giants beat a crucial five-game home stand with first-place Atlanta with their third victory in four games.

The Braves have lost four of their last five and only lead second-place Cincinnati by a half-game in the National League West.

Burkett, who won for only the second time in 11 starts since May 27, retired 11 in a row over one stretch and did not allow a runner past second base in posting his second career shutout.

Dodgers 6, Padres 5: The last-place Dodgers won for only the second time in nine games on Todd

### NATIONAL LEAGUE

Benzing's sacrifice fly in Los Angeles.

The bad news came before the game when outfielder Darryl Strawberry announced that he would have surgery to repair a herniated disk in his lower back and would miss the rest of the season for the Dodgers. Strawberry, 30, has played only 38 games this year, and is batting just .237 with five home runs and 24 RBIs.

Eric Young, called up from Triple-A Albuquerque on Thursday after the Dodgers released second baseman Juan Samuel, made his major league debut and tied the score at 5 in the seventh with an RBI single.

## 4th Straight Loss Is Costly for Twins

*The Associated Press*

Kirby Puckett isn't worried that the Minnesota Twins have dropped out of first place for the first time since June.

"Some people might be panicking, but we aren't," Puckett said after Thursday night's 5-2 loss to the Milwaukee Brewers in Minneapolis. "Our time will come, and somebody is going to have to pay."

For now, the Twins aren't costing other teams very much. They've dropped four straight, their longest losing streak since April 1991, and fallen from the American League West lead for the first time since June 28.

Milwaukee won for the fifth time in seven games and remained five games behind Toronto in the AL East.

Chris Bosio held the Twins to two hits through five innings and led, 5-0. But he gave up three straight singles starting the sixth and found himself facing Puckett with runners at the corners and no outs. Puckett grounded into a run-scoring double-play and Bosio was back on track.

Rose Jays 3, Royals 6: David Wells allowed three hits in seven innings and Duane Ward and Tom Henke finished with hitless relief as Toronto shut out an opponent for the ninth time this season.

Henke got three outs for his 18th save in 21 chances as Toronto won for only the second time in six games.

Luis Aquino, making just his third start of the year, gave up three runs — two earned — and seven hits in 5 1/2 innings. Visiting Kansas City, blanked for the seventh time this season, lost for the fourth time in five games.

Angels 6, Mariners 5: Finch-hitter Gary Gaetti capped a five-run eighth with a three-run homer in Anaheim, California.

Junior Felix greeted Russ Swan with a two-run single off the glove

### AMERICAN LEAGUE

of shortstop Omar Vizquel and Gaetti, batting for Von Hayes, followed with his seventh homer of the year.

Mark Eichhorn pitched a perfect eighth and Joe Grabe finished for his 10th save.

Kevin Mitchell, who has 29 RBIs in his last 27 games, hit a three-run homer and Vizquel doubled in two runs for the Mariners.

Yankees 6, Orioles 3: Curt Young gave up four hits in eight innings, winning his second decision for the Yankees since he was cut by Kansas City on June 10. Mel Hall contributed a home run at Yankee Stadium as New York stopped a four-game losing streak.

Rick Sutcliffe lost his fifth straight decision and was felled in his sixth try for career victory No. 150.

## First Flares in America's Cup

*The Associated Press*

**SAN DIEGO** — The first controversy of the 1995 America's Cup has flared up as the San Diego Yacht Club acknowledged the Yacht Club de France as the regatta's Challenger of Record.

A protocol document signed May 13 gave the San Diego club 60 days from the last race of the 1992 America's Cup to appoint a challenger to convene a meeting of intended 1995 participants to elect a Challenger of Record, which represents the interests of all challengers.

France and Spain issued challenges immediately after Bill Koch's America's Cup syndicate successfully defended the Cup against Italy's Il Moro di Venezia on May 16.

France paid its nonrefundable \$75,000 entry fee, but the Spanish check didn't clear, said Sandy Purdon, a San Diego club board member and its immediate past commodore.

"A number of other people say they will be challengers, but nobody else has sent their \$75,000 check, which is required to make them qualified," Purdon said.

Nippon Challenge, which mounted Japan's first America's Cup challenge this year, notified officials that it also would challenge. But the Japanese group didn't meet the 60-day deadline to be considered as a Challenger of record, Purdon said.

An Australian group also intends to challenge. It includes John Bertrand, who ended the New York Yacht Club's 133-year winning streak in 1983 when he skipped Australia II to an upset victory over Dennis Conner's Liberty.

The announcement of the French syndicate as Challenger of Record was criticized as a breach of protocol by Eric Taylor, executive director of the Challenger of Record Committee for the recently completed regatta.

"The SDYC cannot appoint, nor can the French claim to be, the Challenger of Record as that term is only used when multiple challenges have been accepted," said Taylor, adding that he was working on behalf of other intended 1995 challengers.

The first challenger meeting likely will be in early December, he added.

Eight yacht clubs from seven countries challenged during the 1992 regatta off San Diego.

## SCOREBOARD

### BASEBALL

#### Major League Standings

AMERICAN LEAGUE			
Team	W	L	Pct.
Toronto	66	41	.614
Los Angeles	59	48	.549
Milwaukee	55	46	.545
New York	48	53	.474
Boston	47	52	.473
Detroit	47	52	.473
Cleveland	44	58	.431

NATIONAL LEAGUE			
Team	W	L	Pct.
Atlanta	58	44	.567
Cincinnati	58	44	.567
San Diego	55	47	.538
San Francisco	49	53	.481
Houston	45	57	.440
Los Angeles	43	59	.421

### Japanese Baseball

Team	W	L	Pct.
Yokohama	44	39	.526
Yamaguchi	43	39	.526
Chunichi	36	46	.438
Toyo	35	47	.427

### Transactions

**AMERICAN LEAGUE**

**AL**—Sandy Alomar, Cleveland Indians catcher, dropped appeal of three-game suspension and is eligible to return Sunday for three games for charging moussed during game against Seattle on July 22.

**CALIFORNIA**—Jose Gonzalez, outfielder, placed on waivers for purpose of giving him his unconditional release.

**N.Y. YANKEES**—Buck Showalter, manager, signed three-year contract extension.

**TEXAS**—Herald Johnson, infielder, released to Tulsa, Texas League. Activated Hector Polanco, pitcher, from 60-day disabled list. Activated Scott Chromarko, pitcher, from 60-day disabled list and activated Mike Johnson, pitcher, from 60-day disabled list and optioned him to Port Charlotte, Florida State League.

**TORONTO**—Activated Mark Eichhorn, pitcher, from California for Rob Dyrdek, outfielder, and Greg Miller, catcher. Released Rovey Kiser and Ed Sprague, catchers.

**NATIONAL LEAGUE**

**ATLANTA**—Mike Bielecki, pitcher, placed on 60-day disabled list. Pate Smith, pitcher, recalled from Richmond of the International League.

**CHICAGO**—Put Shawn Banks, pitcher, on 15-day disabled list, retroactive to July 17. Activated Sammy Sosa, outfielder, from 15-day disabled list. Recalled Heathcliff Slocum, pitcher, from Iowa, American Association. Designated Jeff Kunkin, infielder, for assignment.

### Baseball News

**LA, DOGGERS**—Activated John Proctor, infielder, from Philadelphia to complete season trade involving Steve Loyer and selected Peppers to Albuquerque, Pacific Coast League. Acquired Steve Soderstrom, pitcher, from Chicago to complete earlier trade involving Kot Dickins and captured Soderstrom in Bakersfield, California League. Acquired Mike Soderstrom, pitcher, from Albuquerque to complete earlier trade involving Kot Dickins and captured Soderstrom in Bakersfield, California League. Acquired Eric Young, second baseman, from Albuquerque to complete earlier trade involving Kot Dickins and captured Soderstrom in Bakersfield, California League.

**MILWAUKEE**—Jimmy Cook, traveling secretary, released.

**MONTEREAL**—Activated Altonio Alou, outfielder, from 15-day disabled list. Sent Bill Landrum, pitcher, to Indianapolis, American Association.

**N.Y. METS**—Activated Vince Coleman, outfielder, from 15-day disabled list. Activated Scott Bradley, catcher, from the Cincinnati Reds for a player to be named later and optioned Bradley to Tidewater of the International League.

**PHILADELPHIA**—Recalled Todd Pratt, catcher, from Scranton-Wilkes-Barre, International League. Put Steve Luba, catcher, on 15-day disabled list. Druw Jones, pitcher, designated for assignment. Cliff Brantley, Ben Rivera and Jay Bell, pitchers, recalled from Scranton-Wilkes-Barre of the International League. Mike Williams and Wally Riccio, pitchers, optioned to Scranton-Wilkes-Barre.

**PITTSBURGH**—Signed John Carvill, pitcher, to minor league contract.

**SAN DIEGO**—Sent Dave Eiland, pitcher, to Los Angeles, Pacific Coast League on 30-day rehabilitation assignment.

**SAN FRANCISCO**—Activated Mark Bell, catcher, and Francisco Cervantes, pitcher, from 15-day disabled list. Put Kirt Manrewke, catcher, on 15-day disabled list, retroactive to July 22. Sent Pat Rupp, pitcher, to Phoenix, Pacific Coast League.

### Baseball News

**BASEBALL**

**NATIONAL BASEBALL ASSOCIATION**

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## The Sunny Side By Joy L. Wolk

**ACROSS**

- Mother of Ishmael
- Small drink
- Nomadic reindeer herders
- Merriment
- Bakery employee
- Greenish river
- Incarceration of Vishnu
- Epic blank-verse sequel by John Milton
- Eager
- Brazilian seaport
- Egyptian setting-sun god
- Soft-shell clams
- "A thing of beauty is..."
- Bridge supports
- Where Aaron died
- Novelist Trump
- Munchausen, c.g.
- Shores (up)
- Galalah's mother
- Accept philosophically
- Walk between trees
- Kind of leather
- Female water spirit

**DOWN**

- Saled ingredient
- 100 Eilat
- Most caffeine
- Explorer Johnston
- 108 Prolet (with "L. Know", Frost)
- Source of the Mississippi
- Cheekbone
- An American's right
- Hindu princes
- 72 Mad
- Nice eight
- Land owned absolutely in feudal days
- La — tar pits
- Lifeline, to Lily I know, Frost
- What Sandburg called "a bucket of ashes"
- 82 Some are flying
- 84 Sand-trap shots
- Italian food staple
- "A — I have won..." Shak.
- 91 Optician's product
- 92 Antimatter
- 93 Nita of the Silents
- 94 H. Hoover or H. Wallace
- 97 William Corcoran endowment
- 35 Umar — India
- 39 Henri's donkey
- 41 Unit of angular measurement
- 42 A tropical
- 43 Aircruel
- 44 Guides
- 46 Cash attachment
- 48 — Alverto (Rita Moreno)
- 49 Bull's order
- 51 Group of three
- 54 Hissel sound in comics
- 55 Odin, Thor et al.
- 57 Treats inadequately
- 58 — New Guinea
- 60 — Italian: Strauss
- 62 The smart set
- 63 " — of fat things..." Isa. 25:6
- 64 Sch. near Harvard
- 65 Windpipe: Comb. form
- 66 Glorifies
- 67 Towns in Ark. and Pa.
- 68 Galileo taught there
- 69 Actress Sanford et al.
- 70 — after (last resort)
- 75 Degree for a hosp. worker
- 77 Element of a moral code
- 78 He lost his shadow
- 79 Very, to Verdi
- 80 Violinist born in Russia
- 81 Sample
- 83 Author of "The Greening of America"
- 85 Terhune canine
- 86 Like a Puccini product
- 87 Like part of a grandfather clock
- 89 Not part of a series
- 90 U.S. Open singles champ: 1972
- 91 Magna cum —
- 95 Kind of synthetic textile fiber
- 96 Stevand Morris from Saginaw
- 99 Corded fabrics
- 101 Reputation
- 102 Snow, in Sedan
- 103 Use a bubble pipe
- 104 Maccara recipient
- 106 A river at Rennes
- 107 A framer of Roger Rabbit
- 108 A Roman emperor
- 111 She wrote "Solar Barque"
- 112 A cetacean
- 113 Swabbie
- 114 Otto I's dom.
- 115 A Russian chess master

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# SPORTS OLYMPICS

## Unified Team Beats Lithuania in Test For Ex-Teammates

**BARCELONA** — The Unified Team clinched first place in its six-team men's basketball pool Friday, overcoming a 19-point deficit with 15 minutes to play to beat Lithuania, 92-80.

It was Lithuania's first defeat. The Unified Team of former Soviet athletes is undefeated.

The game was a reunion of eight members of the team that won the gold medal in Seoul four years ago. Four of those former teammates were playing for each team, following the breakup of the Soviet Union.

Lithuania (3-1) seemed in control, leading 53-34 with 15:17 to play. But the Unified Team (4-0), which had shot 31 percent in the first half (11 for 35), made 14 of its first 19 in the second half to get within 62-61 with 9:17 to play.

The Unified Team, which lost to Lithuania by 37 points last month in an Olympic qualifying tournament, took the lead for the first time at 67-66 with 7:08 left on two free throws by Alexander Volkov.

Lithuania only held the lead one more time, on the next basket by Arvidas Sabonis 46 seconds later.

Volkov, a gold medal winner in 1988 along with Tikhonenko, Igor Miglinickis and Alexander Belostennyi, had 19 points and four rebounds. Miglinickis had 15 points and 11 steals for the Unified Team, which now avoids facing the United States until the gold medal game.

Sabonis, who played for the Soviet Union along with Sarunas Marculionis, Valdemaras Khomicius and Rimas Kurtinaitis, had 21 points and 16 rebounds. Marculionis, who plays for the National Basketball Association's Golden State Warriors, had 21 points and eight assists.

In other games played Friday, wire services reported: Australia 88, China 66: Andrew Gaze led hot-shooting Australia to its third victory in four games.

Gaze, who helped Seton Hall reach the final of the 1989 U.S. National Collegiate Athletic Association

championships, shot 7 for 8 from the two-point range and 13 for 15 from the foul line.

China, which suffered its fourth defeat, fought back after falling far behind early to finish the first half trailing 39-28 as Sun Jun scored 13 points.

Australia came out running in the second half and pulled away as superior rebounding power led to easy fast-break opportunities. Australia had 35 rebounds to China's 20.

Mark Bradley had 14 points and seven rebounds for the winners and Luc Longley added 11 points as Australia gave all 12 of their players ample court time.

Ha Weidong led China with 15 points.

Puerto Rico 96, Venezuela 82: Puerto Rico clinched a berth in the quarterfinals with a victory over Venezuela.

The triumph was the second in five games for Puerto Rico, which will finish fourth in its six-team pool. In Tuesday's cross-over quarterfinal round, it will have to face the No. 1 team from the other pool, the United States.

Venezuela (0-4), the surprise runner-up to the United States in last month's Americas qualifying tournament, was within 69-62 with 9:45 left, but Puerto Rico went on a 19-6 run for an 88-68 lead with 8:41 left.

Federico Lopez led Puerto Rico with 19 points, while Jerome Mincy had 16 points and 14 rebounds.

Ivan Olivares led Venezuela, which was outscored 42-28, with 24 points.

Angola 83, Spain 63: Angola closed down Spain in the second half of a tight game for its first Olympic basketball victory.

Through a combination of aggressive defense and horrendous shooting, Spain missed their first 14 shots from the field in the second half and went 13 minutes 22 seconds before registering their first score.

During Spain's painful stretch, Angola extended a halftime lead of 37-36 to 63-42.

Angola, which went down by 68 points in their Olympic debut against the United States, has fought fiercely in the tournament, losing by one point to Germany and staying close before falling by 10 to Brazil.

People here identify with the Lakers in part, Mr. Parada said, because they play in California, with its Spanish influence. "All of the places that start with San and Santa," he said — "Santa Anita!"

Most of all, Mr. Parada is proud of his 15-year-old nephew, who is already 1.83 meters tall. In Badalona, it's not how you kick a ball, it's how you shoot it. And that is what young Juan Ramon Gil can do, his uncle said. "He can shoot."

Outside, two men sat under a red-and-white umbrella, talking basketball. Up the street, the big arena loomed above rows of apartment houses. Sitting still in the shade, you could feel a breeze. José María García, a hotel supply company representative, and Gines Bonilla, a truck driver, still had not fully recovered from the last-season Jovenut loss in the European club final. "It's impossible to explain," Mr. García said. "Things that shouldn't happen, happen."

Basketball is getting bigger and bigger in Badalona, they said — Jovenut has moved from the smaller arena, where Olympic boxing is held, into the larger one where basketball is played. Once — when soccer was the sport in the city — Jovenut played in a tiny place.

The men said they watched NBA games on television and were far more excited by the Chicago Bulls-Portland Trail Blazers championship playoff than anything they have seen from the Olympics on television. "Either of the two, Chicago or Portland, could have won," said Mr. García. NBA players are "miraculous," allowed Mr. Bonilla. "Even if you don't play the game, if you are out there with a lot of them they would transmit this thing of intuitively being able to do it."

Was he saying he could suddenly spring like Michael Jordan? No, Mr. Bonilla laughed, it was just that any four Dream Teamers could have a truck driver for a fifth and still win.

Juan Ramiro, 74, a pensioner with a straw hat and cane who was out for a walk, had watched the Americans dominate on television. They have shown him something. "I am not a dedicated basketball fan," he said. "It's great that they're here, but I'm not overwhelmed particularly. But now I like watching them on television. I didn't know basketball in America was so much better. I would love to go to a game, but I can't get in."

## Estonian Wins in Cycling for Republic's First Title

Compiled by Our Staff From Dispatches

**BARCELONA** — Eika Salumae of Estonia won the women's sprint in cycling Friday, capturing the Baltic republic's first Olympic medal since the country left the former Soviet Union.

Salumae, who won the gold for the Soviet Union in 1988, defeated Annett Neumann of Germany. The bronze went to Ingrid Haringa of the Netherlands, the 1991 world champion.

In the men's sprint, the world champion, Jens Fiedler of Germany, barely defeated Gary Neiwand of Australia. After a controversial

final, the German rushed over to congratulate Neiwand, the bronze medalist in Seoul and at last year's world championships.

In the best-of-three contest, the Australian just failed in the first run, but had the edge in the second to square it up, 1-1.

Neiwand was even declared the winner before the photo-finish showed that Fiedler had just prevailed.

The bronze went to Curtis Harnett of Canada, who beat Roberto Chippaya of Italy.

Germany won the gold medal in 4,000-meter men's team pursuit cycling with a world record of 4 minutes, 8.71 seconds.

Australia won the silver in 4:10.218, and the bronze went to Denmark in 4:15.860. The previous record was 4:10.438 set by Australia in the quarterfinals Thursday.

Petra Rosner of Germany won the women's pursuit, 3,000 meters, beating Kathy Watt of Australia in the final.

The world champion's winning time was 3 minutes, 41.735 seconds for the three-kilometer race. Watt was 1.685 seconds behind. American Rebecca Twigg got the bronze.

Germany also took the men's team pursuit — for the country's third cycling gold of the day — again beating Australia in the final.

Michael Glockner, Jens Lehmann, Stefan Steinweg and Andreas Walzer clocked 4:8.791 for the 4,000 meters, 1.427 seconds ahead of the Australian team of Brett Aitken, Stephen McGlede, Shaun O'Brien and Stuart O'Grady.

Denmark — Ken Frost, Jimmi Madsen, Jan Petersen and Klaus Kynde — won the bronze. Italy was fourth.

In weightlifting, Pyrrus Dimas of Hungary won the light-heavyweight (82.5 kilograms or 181



Cho Youn Jeong of South Korea, removing arrows from the target Friday, after her world record in the 70-meter archery competition.

pounds) gold medal in one of the closest finishes in the sport's Olympic history.

Dimas, Krzysztof Siemion of Poland and Ibragim Samadov of the Unified Team were tied at 370 kilograms each at the close of the clean and jerk contest.

Samadov, 50 grams heavier than either of his opponents, had to settle for the bronze.

Dimas won because he achieved his total earlier in the competition, with his first clean and jerk, while Siemion needed two tries to lift the bar.

Samardov rejected his bronze medal and stormed off the rostrum, and the sport's governing body, the International Weightlifting Federation, said Samardov had been banned for life for rejecting it.

In judo, the world lightweight champion, Toshihiko Koga of Japan, shrugged off pain in his injured leg to bring Japan its second men's judo gold of the Olympics when he beat Bertalan Hajtos of Hungary on a decision in the lightweight (71-kilogram) final.

But Miriam Blasco stole the show by giving Spain its first Olympic judo gold, for men or women, when she narrowly outpointed Nicola Fairbrother of Britain in the women's lightweight (56-kilogram) final. Chiyori Tateo of Japan and Drinilis Gonzalez Morales of Cuba won the bronze medals.

In shooting, Gratchia Petikane of the Unified Team edged Bob Foth of the United States by eight-tenths of a point to win the men's three-position small-bore rifle competition.

Petikane won the after a dramatic final in which the lead changed with practically every shot.

The silver went to Bob Foth of the United States, the leader before the last shot, and the bronze to Ryohji Koba of Japan, who had also held the lead at one stage in the 10-shot final.

"To be honest, I didn't think I'd win a medal," Petikane said after compiling an Olympic record 1,267.4 points.

Foth had 1,266.6, and Koba, 2,265.9.

Juha Hirvi of Finland, who set the pace from the opening section of 40 standing shots, went into the final a point ahead of Koba and three clear of Foth and Petikane. But the firing Finn then blew his chances with a wild opening shot that scored only 5 points.

In archery, Cho Youn Jeong of South Korea set a world record in 70-meter archery competition, helping her team set an Olympic record in the qualifying round.

Cho scored 338 points from 70 meters, then added an Olympic record score of 345 points from 60 meters. Korea scored 2,024 points in the two rounds.

The previous 70-meter world record was 336, set by Kim So Nyung of South Korea in 1989.

In volleyball, China's young women's team, among the favorites for the gold medal, suffered an attack of nerves on the big occasion and crashed, 3-2, to the Netherlands.

And World Cup winners Cuba,

back in Olympic competition after a break of 12 years, beat Brazil 3-1 in two hours to remain unbeaten after two matches in the four-nation Group-B round robin.

The Netherlands hit top form as they charged back from two sets down to upset the Chinese 3-2 (6-15, 15-17, 15-13, 16-14, 15-6) in the other Group-B match.

"Our problem is that we have too many young players," Chinese coach Jin Hu said, naming Wang Yi, 19, and Gao Lin, 22, as examples. "They were too nervous."

Dutch coach Peter Murphy said after Holland's first win over China in more than two he could remember: "It's the chemistry of our team. Sometimes we play well and sometimes we don't," he said. "It just worked today."

China, third in Seoul and second behind the former Soviet Union at the 1990 world championships, now has to win its final preliminary match against Brazil to reach the final phase of the women's tournament.

"Brazil fought hard and it wasn't

an easy match," said Cuba's high-jumping ace spiker Mireya Luis after her team struggled against Brazil's solid defense and power-packed strikes from Hilma Calderia and Ana Moser who won five points each.

Luis said: "You play in a quite different spirit at the Olympics than at the world championships and the World Cup."

The best three of the four teams each in the two women's preliminary groups will advance to the final knockout tournament.

In boxing, the U.S. super-heavyweight Larry Donald advanced to a quarterfinal showdown with Roberto Balado of Cuba, pitting the division's best boxer at the Olympics against each other.

Donald stopped Nikolai Kouline of the Unified Team of former Soviet athletes on cuts after two rounds of their scheduled three-round fight.

Donald was headed for a shutout points win when Kouline quit because of a cut next to his right eye. He and Balado meet Tuesday.

Algeria's Ahmed Dine and Chris Byrd of the United States advanced to the middleweight quarterfinals.

Byrd, awfully watched by his father, scored with counter right hands off the ropes to take a 16-7 win over Alexandre Lebziak of the Unified Team of former Soviet athletes.

Byrd, winning his second 75-kilogram fight of the Games, led 4-1 after the first round, then spent much of the second and third rounds fighting off the ropes. The strategy proved effective, although it cost him some points when he got caught with right hands from Lebziak.

"I tell him not to go to the ropes but he fights so well off the ropes," Joe Byrd said. "He makes me so nervous. He got caught with a couple of shots he shouldn't have."

Dine survived a spectacular, late-match surge by Dutch boxer Albert Joval to set up a Monday bout with Byrd, son of U.S. coach Joe Byrd. The winner is guaranteed, at least a bronze medal.

Joval forced Dine to take two-standards 8-counts in the third round, the second one coming with 30 seconds left in the fight. If a boxer gets three standings 8s in a single round, the bout is stopped.

Dine got through the final half minute and was rewarded with a 22-14 decision.

Stefan Trendafilov of Bulgaria stopped Lu Chao of China in the first round of their middleweight bout. (AP, AFP, Reuters)

## Dream Team in a Hotbed At Olympic Venue, Winning Team and Knowing Fans

By William Gildea

Washington Post Service

**BADALONA, Spain** — The full heat of the day had yet to press the pavement when Jonathan Gómez Herrera, 12, dribbled a basketball past the Palau d'Esports de Badalona, home of the Dream Team. Two friends ran alongside, and — with dreams of their own — they headed for a local outdoor playground with two courts.

The rims were orange, and there were no nets. On the other court, a shirtless Luis Fernández López, 17, stuffed a shot in imitation of Michael Jordan. As a basketball hotbed, Badalona is a fitting place for the greatest basketball team ever assembled to play its games.

Badalona boasts one of the finest basketball teams in Europe, Jovenut, which lost by only 116-114 to the Los Angeles Lakers last October in an exhibition game in Paris, and, more significantly, by 71-70 to Parisian Belgrade for the European club championship in April. Half the city's population of about 270,000 belongs to the Jovenut fan club.

In its passion for the sport, Badalona is Spain's Indiana of basketball, although the scene is more reminiscent of the narrow streets around Boston Garden.

Young or old, men or women, Badalonans know their hoops. Proud hosts, they are awed but not overawed by the Dream Team. They appreciate them all, but they love one — Magic Johnson.

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## Bruguera, Stich and Chang Fall

Compiled by Our Staff From Dispatches

**BARCELONA** — Michael Chang of the United States became the eighth seeded player to lose at the Olympics by the second round, falling Friday to Jaime Oncins of Brazil, 6-2, 3-6, 6-3, 6-2.

In the matches, Jennifer Capriati of the United States, the third seed, advanced to the third round by routing Patricia Tarabini of Argentina in straight sets, 6-4, 6-1.

So did Arantxa Sánchez Vicario of Spain, the No. 2 seed, who eliminated Mana Endo of Japan, 6-0, 6-1.

Michael Stich of Germany, the No. 8 seed, lost to his compatriot Carl-Uwe Steeb, 6-4, 6-2, 4-6, 6-3. And No. 11 seed Sergi Bruguera of Spain fell to Mark Kovermans of Holland, 1-6, 6-3, 6-3, 6-2.

Chang, the sixth seed, was playing on his favorite surface: red clay. He seemed certain to progress at least past the second round.

But he slumped here as he has elsewhere of late. The loss was his fifth in the past eight matches.

Oncins, ranked 53d, was urged on by a small knot of supporters who sang, chanted and stomped their feet as he closed in on the victory.

Earlier, the 16-year-old Capriati became the third American to reach the third round.

"I like the faster surface better," she said. "Clay's all right, but I don't have a lot of patience. I'm getting better at it, though."

Another Spaniard, Conchita Martínez, the fifth seed, beat Sandra Cecchini of Italy, 6-4, 6-3. Indonesia's Yayuk Basuki eliminated 13th-seeded Mary Pierce of France 0-6, 6-3, 10-8.

Bruguera, who spent weeks training for the Games in his home city, crumbled on the clay Friday. The Spaniard seemed shell-shocked by his defeat. He has had a foot injury but denied it had affected his game.

"Something changed, something happened," he said. "But I just don't know what it was. Maybe it was the court."

Many of the players, led by Stich, had said that the Spaniards have an overwhelming advantage with the courts.

"They have made the best conditions for their players," Stich said after his loss. "It's always like this in the Davis Cup. Every country does the same when they are host. But for the Olympics, the International Tennis Federation should make it the same for everyone."

"There is no chance that a serve-and-volley player is going to win here," he added.

(AP, AFP)

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# SPORTS OLYMPICS



Ben Johnson blasting out of the starting blocks in a 100-meter heat Friday. He reached the semis.

## American Wins the Shot Put, Johnson Back in 100 Meters

**BARCELONA** — Mike Stalce of the United States won the first athletics title of the Barcelona Olympics on Friday when he upset the favorites in the men's shot put.

The 25-year-old Texan, who returned to competition this year after serving a two-year suspension for drugs, finished ahead of his compatriot James Doehring.

Stalce punted 21.70 meters with his fifth attempt, Doehring recorded 20.96 and Vlastislav Lytko of the Unified Team was third with 20.94.

The favorite, Werner Gombler of Switzerland, twice world champion, finished out of the medals in fourth place.

It was the first time an American has won a men's shot put gold since Randy Matson at the 1968 Mexico City Games.

Daniel Plaza of Spain won the men's 20-kilometer walk in an unofficial, 1 hour, 21 minutes, 43 seconds Friday at the Olympics.

Guillaume LeBlanc of Canada was second in an unofficial 1:22:25. Giovanni DeBenedictis of Italy was third in 1:23:12.

In the men's 100-meter competition, Ben Johnson, who left the Seoul Games in disgrace four years ago, returned to the Olympics with a pair of solid races in the heats as he advanced to the semifinals.

But Zola Budd Pieterse, who was a center of controversy at the 1984 Los Angeles Games, failed to qualify for the women's 3,000-meter final. Pieterse, now running for her native South Africa, finished ninth in her heat in the first round.

Running as Zola Budd and on a British passport at the 1984 Games, she collided with Mary Decker Slaney and the American was unable to finish the race. Budd also

frequently was the target of anti-apartheid demonstrations.

In the women's 100, four-time Olympian Evelyn Ashford and two American teammates eased into the semifinals.

Johnson was greeted with loud cheers and a few derisive whistles as he was introduced for perhaps his most important races since forfeiting the 1988 Olympic title and a world record because of drug use.

Though he is a shadow of his 1988 self, both physically and in terms of speed, Johnson ran well to advance through two rounds of the 100.

In the morning session, he exploded from the blocks — as in times past — and built an early lead before relaxing and finishing second in his heat in 10.55 seconds.

In the evening's second round, he overcame a false start to place fourth in his heat in 10.30 seconds.

"I'm not feeling any pressure right now," Johnson said. "I'm not worrying. I am going to win. I'm just happy to be here."

Johnson and the top contenders for the 100 title, including the Americans Leroy Burrell, Dennis Mitchell and Mark Witherspoon, all qualified for Saturday's semifinals.

In the women's 100, Ashford, Gwen Torrence and Gail Devers all passed their opening tests.

Most of the favorites, including Marlene Ottey of Jamaica and Irina Privalova of the Unified Team, also easily advanced through the morning's first round and the evening's second round into Saturday's semifinals. Privalova had the fastest time of the day, 10.98 seconds, in the second round.

Ashford, 35, won her second-round heat in 11.13 seconds. She also competed in the Olympics in

## Hungarian Swimmer Captures 3d Gold

### Australian Shatters His 1,500 Mark

**BARCELONA** — Kieren Perkins annihilated his rivals, Kristina Egerszegi achieved a dazzling golden treble and the Olympic swimming program closed in a cascade of world records on Friday.

Perkins, an 18-year-old Australian, turned the men's 1,500-meter freestyle into a rout and carved nearly five seconds off his world record as he left the German world champion, Jörg Hoffmann, in his wake.

Jeff Rouse trimmed his 100-meter backstroke world mark and inspired the U.S. men's medley relay squad to equal the world record set by the American team at the Seoul Games.

The United States finished the top nation in the Bernat Picornell pool, with 11 titles.

Yang Wengyi lowered her own world mark to win the 50-meter freestyle gold and bring China's powerful women's squad their fourth title.

Hungary's Egerszegi, without peer to the women's backstroke, retained her 200-meter title with ease. She became the only swimmer to win three individual titles at the Games after collecting the 400 individual medley and the 100 backstroke.

Fellow Hungarian Tamas Darnyi managed to repeat his golden 200 and 400 individual medley double of Seoul but had to fight a tremendous battle to win Friday's 200 event by a fraction.

American Summer Sanders finally clinched her Olympic gold with a win in the women's 200-meter butterfly. She had won a silver in the 200 individual medley and a bronze in the 400 individual medley.

But Perkins supplied the most momentous victory of the day, leaving the rest for dead as he forged further and further ahead. He finished in 14 minutes, 43.48



Tamas Darnyi of Hungary, left, gets a kiss from his teammate Attila Czene after he won his second gold, in the 200-meter medley.

seconds to slice 4.92 seconds from the world record he set in Canberra last April.

After a narrow defeat by Russian Evgeni Sadoyev in the 400-meter freestyle final, Perkins wanted the title far more than the record.

"It didn't matter about the world record," he said. "Winning is what you want. World records don't count. It wouldn't have mattered if I'd swum 16 minutes."

Hoffmann, who beat Perkins for the 1991 world championship gold by just 0.22 seconds in a titanic duel in Perth, could not live with the pace this time.

Glen Housman made it an Australian one-two by taking the silver in 14:55.29, with Hoffmann just hanging on for the bronze in 15:02.29.

"Best swimmers are always easiest to do," Perkins said. "The swim did not feel that hard but I don't think I could have gone a helluva lot faster."

"If I hadn't got a gold medal," he added, "I didn't want to go home."

Rouse, beaten to the 100 backstroke gold by Canadian Mark Tewksbury, made amends to the relay by lowering his backstroke world mark to 53.86.

It gave the United States the perfect medley relay start. Nelson Diebel, Pablo Morales and Jan Olsen concluded the business by equaling the world mark of 3:36.93 set in Seoul by their U.S. predecessors.

The medley relay victory gave Mart Biondi, watching from poolside, his 11th career medal, including eight golds, two silvers and a bronze. That tied the American record for most medals, shared by swimmer Mark Spitz and shooter Carl Osburn.

Biondi didn't swim in the final, but he gets a medal because he was on the team that qualified early in the day.

Egerszegi lowered her own Olympic 200 backstroke record for the second time in a day to 2:07.06, but the 2.40-second gulf that separated her from silver medalist Dagmar Hase of Germany was more remarkable.

"Kristina is in a world of her own," said Hase, who won the 400 freestyle gold.

"I managed to beat her at the 1989 European championships but that is the first and last time. She is in a different world."

Teammate Darnyi had to work harder than ever to complete a unique Olympic individual medley double at successive Games.

Darnyi, double world champion in both 1986 and 1991, trailed fourth at the final turn but hauled his way past his rivals in win by just 0.21 seconds from American Greg Burgess.

Yang and Zhuang Yong, the women's 100 freestyle champion, made it one-two for China in the 50 freestyle and Yang trimmed her four-year-old world record from 24.98 to 24.79.

(Reuters, AP)



Summer Sanders raised a fist to her 200-meter butterfly gold.

## LITTLE: Increasingly, It Looks Like Kids' Olympics

**(Continued from page 1)**

an event she can't possibly win? Better to ban her altogether. Ban all of the big people. Then you won't have to test for steroids. Anyone with any kind of defined muscle mass will automatically be banned. Bulk will be replaced by speed. The only drug tests we'll ever need will be random scans for high sugar content.

Everything else will be simplified. On their way into the Opening Ceremonies in 1996, every athlete will be led past a news conference out of the rock star Prince. Anyone taller than Prince won't be allowed into the Olympics. To prevent jockeys from sneaking into the competition, they'll also have to produce a valid student-body identification card. Once they've been cleared by Prince and they hear the crowd cheering for them, they've become eligible to win a gold medal. What could possibly be fairer than that?

The little people themselves convinced me of this plan Thursday night, when they held a news conference after medaling in the women's all-around gymnastics competition. In the back of the room were at least 10 men and women sitting behind control panels in soundproof booths, translating the words of the gymnasts. In the audience sat more than 100 journalists, many of them middle-aged, asking questions of the gymnasts and then listening to the translated responses through high-tech headsets. Sitting at the head table, in between their

adult coaches, sat these three 15-year-old girls. Everything about them, save their size and the tiny pitch of their voices, belied their age. The point being, we need not worry about the credibility of the new Olympians. They will earn good television ratings to part because they will look like children. The other part will be the expertness of their routines. In that regard they won't be children at all.

"They are very tough athletes," said Steve Nunno, coach of American silver medalist Shannon Miller. "Pound for pound, I'd put these gymnasts up against anybody in the Olympic Games. They're higher jumpers, they've got more powerful legs than anybody — I think they're really tough."

If they're popular in gymnastics and diving, why can't they manipulate the same responses in basketball? In track and field? Remember what Mary Decker did as a teenager? The world record set by her good friend, Zola Budd, at 82 pounds? The little people are the stars of the Olympics. They sell magazines and videotapes, and you just want to bug them off of your television screen.

I don't think anyone doubts that most sports would benefit immediately by restricting the Olympics to little people. If it's left to them, the gymnasts, in the audience sat more than 100 journalists, many of them middle-aged, asking questions of the gymnasts and then listening to the translated responses through high-tech headsets. Sitting at the head table, in between their

fascination with Greco-Roman wrestling.

Nunno admitted to learning a great deal about children while working for a fellow American coach, Bela Karolyi, in 1983.

"The reason Bela was better than anyone else was, he was just working harder than anyone else," Nunno said. "He found the level where you could push a child or a gymnast or an athlete." He said Miller had worked harder than any gymnast in the world. For the last month, all she had done, said Nunno, was eat, sleep and train.

"And this is a kid," he said, "she doesn't hate it because she works hard. She loves it. She loves gymnastics. She loves every minute she's out there."

Nunno runs a gymnastics camp in Edmond, Oklahoma. Sometimes families move to Edmond, so that their children can enter the camp, Nunno said. Sometimes only the mother moves.

"If I had a very, very talented child," Nunno said, "I'd want the best for that child. I don't see anything wrong with that."

We could argue throughout this competition about the pressures children feel, the strain of training seven or more hours a day, the childhood joys they can never regain — but how could we possibly prove such a thing? How can you fight something so popular, so lucrative? We don't fight it at all. We go with it. We get rid of the Dream Team, that's what we do, and we replace them with children.

## Gymnastics Sweep For Unified Team

**BARCELONA** — Vitali Shcherbo, who says he dislikes the rings, scored 9.900 on the apparatus on Friday to edge his teammate, Grigori Misutin, and win the men's gymnastics all-around gold medal.

In a clean sweep for the Unified Team, Valeri Belemky took the bronze.

Shcherbo, who is from Belarus, took to the rings knowing that he needed more than 9.800 to beat Misutin, who had just finished off his six-aparatus rotation with a splendid 9.900 on the high bar, on which he won gold at the world championships in April.

The 20-year-old Shcherbo, world champion on the rings despite his dislike of them, performed superbly to also collect 9.900.

The Unified Team trio had led in one order or another, from the start of the event and never gave any of their rivals a chance.

The three men had helped the Soviet Union to win the team gold at last year's world championships in Indianapolis, where Misutin also took the all-around gold and Shcherbo the silver.

Not since 1952 has anyone but a Soviet-trained or Japanese man won the all-around Olympic title.

Shcherbo, who with his colleagues won the team title here earlier this week, paid tribute to coach Leonid Artyukov, who led the Soviet team for 20 years and plans to move abroad after these Games, when the Unified Team breaks up.

"The victory was all down to our coach, he really is the best in the world," said Shcherbo, who also won gold on the pommel horse in the world championship in April.

Belemky led for the first two rotations, then it was Misutin's turn and Shcherbo took charge after scoring 9.875 on the floor exercise in the fourth.

Shcherbo amassed 59.025 points to Misutin's 58.925 and Belemky's 58.625.

The three will go their separate ways after the Olympics, with Misutin representing Ukraine and Belemky competing for Azerbaijan.

## 2 Banned for Drugs May Be Allowed Back

**BARCELONA** — Two British weightlifters sent home from the Barcelona Olympics in connection with drug tests could be allowed back, the British Olympic team said on Friday.

Spokeswoman Caroline Searle said the cases of Andrew Saxton and Andrew Davies were being re-examined at meetings of sports officials in Barcelona and London.

"There is a possibility of their reinstatement," Searle said. "I can't tell you anything more for the moment."

Searle said Thursday that Davies and Saxton, both 25, had been sent home after random out-of-competition drug tests conducted in Britain before the Games showed traces of a banned stimulant and anabolic agent, clenbuterol.

Both men plan appeals against a lifetime ban imposed by the British Amateur Weightlifting Association following the tests, which were carried out earlier this month.

Tamas Ajan, head of the International Weightlifting Federation, said on Friday that Saxton and Davies had passed his group's separate, compulsory pre-Olympic tests.

The pre-competition Weightlifting Federation checks, which complement standard International Olympic Committee tests after each event, were introduced by the Federation in a drive to clean up the sport after a succession of doping scandals.

Two Bulgarian gold medalists and a Hungarian silver medalist were stripped of their titles at the 1988 Olympics in Seoul.

British sprinter Jason Livingston was also sent home from Barcelona after traces of a banned steroid were found in his urine. He has denied taking drugs.

The tests on all three British athletes were carried out by the British Sports Council's "flying squad" as part of a special program in the months before the Olympics.

None of the athletes had competed in Barcelona.

He declined to comment on the possibility that other Olympic weightlifters had used banned drugs before the Games but stopped in time to pass the federation test, which all lifters must take five days before they compete here.

Livingston, in an interview with the South London Press, he said he had "never, never used steroids."

"I abhor the use of drugs in sport," he added. "I pleaded with the officials until I was blue in the face. The test result must have been a mistake and even the British manager backed me."

Livingston said the only medication he had taken before the test that he failed, which was administered on July 15, was when he had pulled out of an international meet in Edinburgh.

"I had a stinking cold and bought some cod liver oil, multivitamins and paracetamol," he said. "The only other medication is a new Japanese product called Musachi, which is meant to replace the proteins lost after training and competition."

## OLYMPIC NOTEBOOK

- **Maybe No, Maybe Maybe**  
Janet Evans, the 20-year-old American star of the 1988 Olympics in Seoul, had been expected to quit the sport if she won the 800-meter freestyle, ending her career with a fourth gold. Now she's not so sure, Reuters reports.
- **Room to Breathe**  
Barcelona's Olympic traffic regulations are a breath of fresh air for marathon runners, Reuters reports.
- **Pollution in the city center could fall by 15 percent now that cars have been banned from many central streets to stop traffic jams, according to a study being conducted by a team of scientists.**  
More than 30,000 cars a day normally belch out exhaust fumes which clog the air, leaving a hazy smog over the city.

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